

Company registered no: 12031110

Al Sky UK Holdco Limited
Annual report and financial statements
for the period from 4 June 2019 to 31 March 2020



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AI Sky UK Holdco Limited

Company Information

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AI Sky UK Holdco Limited

Strategic Report for the period from 4 June 2019 to 31 March 2020

Introduction

The Directors present their strategic report for AI Sky UK Holdco Limited (the "Company") and its subsidiaries (collectively the "Group") for the period from 4 June 2019 to 31 March 2020.

The Company was formed on 4 June 2019 to acquire the existing business of Transaction Services Group Limited ("TSGL"), a United Kingdom registered business with established operations in the United Kingdom, Continental Europe, Australia, New Zealand and the North America. This acquisition completed on 15 October 2019. The financial results record the period from 4 June 2019 to 31 March 2020 ("the five-and-a-half-month period" or "the period") trading since acquisition. Exceptional costs within the period relate to this acquisition and consulting engagements following the acquisition primarily relating strategic planning and structuring.

The Directors are fully aware of their responsibilities to promote the success of the company in accordance with section 172 of the Companies Act 2006 (the Act). The Directors acknowledge that every decision they make will not necessarily result in a positive outcome for all stakeholders. By considering the company's strategic priorities and having processes in place for decision-making, they do, however, aim to make sure that their decisions are consistent. For information about the Board's approach to stakeholder engagement, see Consideration and engagement of our stakeholders on page 7.

Review of the business

The Group specialises in providing software and integrated payments for the health & fitness, boutique & studio, and early education markets. The solutions help fitness clubs, boutique studios, leisure and education centres manage their operations, attract and retain more members, and optimise their payments and revenue. That means they can focus on what they love: their business. We deliver this through a range of world-class software solutions operating across Australasia, North America, the United Kingdom and Europe.

The Group has seen strong growth driven by both continued organic growth and growth through acquiring businesses. Organic growth is driven by continued expansion of existing clients and success in winning new clients. Acquisition growth is driven by the completion of nine acquisitions in the the five-and-a-half-month period ended 31 March 2020. The full product offering of business management software combined with integrated payments and services presents a compelling and comprehensive value proposition for clients and means the business continues to hold a strong competitive advantage. The business also continues to invest in innovation to drive improved service, operational efficiencies and productivity for both clients and the business internally.

The nine acquisitions completed to 31 March 2020 all offer business management software in either the Health and Fitness or Childcare and Education markets, and are distributed across our existing markets of North America, Australasia and the UK and Europe. In addition to expanding our portfolio of products, the acquisitions present opportunity to deliver synergies through cross selling and cost saving as the acquisitions are integrated with the existing business.

The Group's Australasia region continued to grow during the period through winning new clients and through the growth of existing clients as the Australasia health and fitness market continues to expand. During the period the Group further invested in expanding its product offering to the Australian Childcare and Education software market through ongoing investment in innovation of core products and also acquiring feature sets and functionality through acquisition.

AI Sky UK Holdco Limited

Strategic Report (continued) for the period from 4 June 2019 to 31 March 2020

Review of the business (continued)

The Group's United Kingdom and Europe region continued to grow through success in winning new clients, in particular as the health and fitness market in the United Kingdom continues to choose outsource payments as a preferred option. During the period the Group acquired several businesses that sell health and fitness software in the United Kingdom. These acquisitions will be integrated with the Group's existing product set to deliver a broader range of software and integrated payments solutions to the market, further improving the value proposition for clients and their customers.

During the period the Group made six acquisition in North America. A process has commenced to combine those entities into a business of scale with a comprehensive health and fitness software product set for the North America and international markets. In parallel, the Group wound its pre-existing operations in the United States, closing offices in Phoenix and San Diego

We continue to expand into new regions where we have identified opportunities, often with established clients who have a market presence. In the next fiscal period, we plan to further establish our business in Japan and continental Europe.

Overall, the Group revenue for the 5.5 months ended 31 March 2020 amounted to Australian \$82,835,000. The Group reports Adjusted EBITDA² of Australian \$27,672,000 and a loss before income tax of Australian \$79,739,000. The loss before income tax is attributable to various costs associated with the acquisition of TSGL and consulting engagements following the acquisition. The costs associated with consulting engagements in the period are significant and reflect several engagements covering commercial, operational and strategic planning. The directors consider this a valuable investment in supporting the business to refine its strategic blueprint and identify key areas of focus for the delivery of growth and efficiency over future periods.

Net assets at 31 March 2020 are Australian \$799,326,000. The Group's operations are highly cash generative, allowing for continued investment in the business and servicing of debt. At 31 March 2020 the balance of the Group's cash and cash equivalents was Australian \$40,228,000. At 31 March 2020 the balance of the Group's borrowings was \$786,367,000 and the Group had an additional \$38,100,000 of borrowings available to draw.

The key performance indicators ("KPIs") are monitored regularly by the trading subsidiaries and reported on in the monthly management accounts. KPIs regularly monitored include growth in software licences and transaction volume, revenue and operating profit margins. The key financial performance indicators are listed below.

AI Sky UK Holdco Limited

Strategic Report (continued) for the period from 4 June 2019 to 31 March 2020

Review of the business (continued)

\$ are Australian Dollars.

Australasia		UK and Europe	
5.5 months ended 31 March 2020		5.5 months ended 31 March 2020	
Transaction Volume	\$2,150,294,000	Transaction Volume	\$796,197,000
Revenue	\$53,845,000	Revenue	\$19,672,000
Adjusted EBITDA ²	\$30,638,000	Adjusted EBITDA ²	\$6,018,000
Adjusted EBITDA margin	56.9%	Adjusted EBITDA margin	30.6%

North America	
5.5 months ended 31 March 2020	
Transaction Volume ¹	n.a.
Revenue	\$9,316,000
Adjusted EBITDA ²	-\$8,491,000
Adjusted EBITDA margin	n.m.

- 1) Transaction volume for North America is not complete for reporting in the period. This region consists of six businesses that were acquired during the period, which did not previously measure transaction volume and the data was not available from the date of acquisition.
- 2) Adjusted EBITDA is calculated as EBITDA before exceptional items, directors fees and expenses relating to board meetings, new market set-up costs and non recurring consulting costs and includes finance income relating to operations. At both a regional and group level Adjusted EBITDA is a key measure used by management in measuring performance. A reconciliation of Group Adjusted EBITDA is shown at the end of the strategic report.

Financial performance controls include the preparation and review of detailed monthly management reports, which include measures of revenue by type and by client, Adjusted EBITDA and profitability. The financial and non-financial performance of the Group is reviewed on a monthly basis by the Board.

The COVID-19 pandemic started to impact our primary markets of Australasia, the United Kingdom and Europe and North America during March 2020. The most significant impact on the Group was triggered when lockdowns were enforced across these markets from late March 2020. While the financial impact on the business during the period was not significant, the disruption of repositioning the business to operate under lockdown and the financial impact following period end were significant. Refer to the note on future developments for commentary on the broader impact of COVID-19 on the Group.

AI Sky UK Holdco Limited

Strategic Report (continued) for the period from 4 June 2019 to 31 March 2020

Environmental, social and governance risks and policy

As the Group expands through both organic and acquisitive growth the Board recognises the need to establish a clear set of values and approaches with regard to environmental and social matters. These values contribute to how management make decisions that can impact all stakeholders.

The Group seeks to comply with applicable local laws (including labour laws) in the countries in which we either are based or in which we otherwise do business, support the payment of competitive wages and benefits to employees, provide a safe and healthy workplace in conformance with national and local law, and consistent with applicable law, respect the rights of employees to decide whether to join a union and engage in collective bargaining. We also respect the human rights of those affected by our business activities, including ensuring that we do not do business with organisations that utilise child or forced labour, or that have discriminatory policies. The Group has a zero-tolerance approach to bribery, facilitation payments and corruption of any form.

The Group is currently considered a low risk sector for Environmental and Social risks, with higher Governance risks in the areas of data security and governance. A summary of key environment, social and governance risks and associated management actions is summarised below.

Environmental

Due to the nature of the Group's business, environmental impact due to emissions, energy and waste management are limited. However, the Group recognises climate change as one of the biggest challenges of our time and we are conscious of our environmental responsibilities. All information in the Group is typically stored electronically. We continuously improve our various digital services solutions, which allows individuals to sign up, manage their account online and pay online. Likewise our customer correspondence is increasingly digital, with email and text messages our preferred channels for communication. These processes have been introduced to reduce the Group's administrative burden, increase efficiency and reduce our carbon footprint. We have initiatives in place to further increase the use of these processes in the future. There are opportunities for cost savings and further reputational enhancement through defining policy more broadly and as the Group carries out the operational integration of acquisitions.

The Group is not required to report on Streamlined Energy and Carbon Reporting matters as this is not material to the Group operations.

Social

Ensuring the Health & Safety of colleagues at all times is an important area of social risk management. During the period management commenced a process analysing health and safety regulation across all markets in which it participates, with the objective of defining a single group-wide policy. The Group has recently appointed a senior leadership role that will have the Health & Safety as a primary responsibility.

The Group continues to promote an inclusive and diverse work environment with initiatives to develop LGBTQI+ inclusion, disability inclusion and cultural diversity. The Group is in the process of appointing a senior leadership position to oversee the further development of inclusion and diversity, in particular to establish group-wide reporting and objectives.

It is important to ensure that clients uphold the same social and ethical standards as the Group. As part of onboarding a client the Group will follow a "Know Your Customer" approach to client due diligence, which allows us to understand the nature of the client's business and identify any concern regarding their social and ethical values.

AI Sky UK Holdco Limited

Strategic Report (continued) for the period from 4 June 2019 to 31 March 2020

Environmental, social and governance risks and policy (continued)

Governance

Data security and customer privacy are important areas of risk management for the Group. Breaches in data security or misuse of customer data could cause severe reputational impact or fines from regulatory authorities. The Group has established processes and dedicated resource across compliance, legal, security and risk functions to ensure the ongoing security of data and compliance with privacy laws.

The Group continues to be acquisitive. As part of undertaking due diligence, management will evaluate environmental, public health, safety, and social issues associated with the acquisition target. After an acquisition takes place, the Group will utilise established governance structures to oversee the areas of audit, risk management, and potential conflicts of interest, and to implement policies that align the interests of owners and management.

Consideration and engagement of our stakeholders

The Board recognises its responsibility to consider the needs and concerns of our stakeholders as part of its discussion and decision-making processes and seeks to deliver value for all stakeholders.

The Group has a broad range of stakeholders who are taken into consideration by the company during the course of its operations. Our core stakeholder groups are set out below together with points of engagement with each stakeholder group throughout the period.

Clients

Our clients are the primary beneficiary of the unique value proposition delivered through the combination of our software, payments and services platforms. We regularly engage our clients to understand their business needs and incorporate these into the ongoing development and continuous enhancement of our solutions.

Our Clients' Customers

Our solutions also serve the needs of our clients' customers, such as the members of a Health & Fitness location or the caregiver of a child participating in early education. Dependent on the solution being provided to our client, we often engage directly with a client's customers through our software or our contact centres. We also collect various forms of customer data on behalf of our clients, for which we always comply with relevant regulatory requirements for collecting and holding this data.

Colleagues

Our colleagues and their engagement within the organisation is critically importance to the success of the Group. The large number of our colleagues represent the business externally on a daily basis, whether engaging through client support or engaging with our clients' customers through customer service. Furthermore a large number of our colleagues participate in the research and development of the Group's intellectual property, which again directly and indirectly benefits all stakeholders of the Group. The Group recognises the importance of high colleague engagement and colleagues having the skills and knowledge to represent the organisation externally. The Group maintains regular communication with colleagues through various communication platforms, keeping colleagues informed of business performance and strategic objectives. Management actively encourages feedback and engagement in communications and also carries out surveys to seek feedback on engagement. The Group also invests in training and development of colleagues.

AI Sky UK Holdco Limited

Strategic Report (continued) for the period from 4 June 2019 to 31 March 2020

Consideration and engagement of our stakeholders (continued)

Shareholders

We engage with our shareholders through both routine and structured management reporting and also on a continuous basis to keep them informed of material developments in the Group. During this period we have also engaged with our shareholders in relation to assessing and executing each acquisition opportunities.

Suppliers

We engage with our suppliers on an ongoing basis to ensure continuity of optimal supply and in the negotiation of commercial terms. Many of our suppliers have worked with us during the period COVID-19 has impacted the business to allow an extension of payment terms. Terms with suppliers are now returning to normal.

Communities

We are mindful of our social responsibility to the community. We continuously engage with the community that interacts with our business, through actively seeking their feedback on satisfaction with our service delivered to them. We also encourage all colleagues to spend a workday each period giving back to the community through working for a charity or community service.

Regulators & Governments

We engage with regulators and government organisations in a number of areas in the business, including taxation, statutory reporting, subsidies and the maintenance of operating licences in various markets. We have dedicated staff across finance and compliance functions who are responsible for ensuring ongoing compliance with regulatory and government requirements.

Future developments

Impact of COVID-19

The COVID-19 pandemic started to impact our primary markets of Australasia, the United Kingdom and Europe and North America during March 2020. The most significant impact on the Group was triggered when lockdowns were enforced across these markets from late March 2020. The lockdowns forced many of our clients in the Health & Fitness industry to temporarily close and freeze subscription memberships, which resulted in the Group's revenue generated from subscription payments from Health & Fitness clients reducing significantly. At the time of reporting most of these lockdowns have eased allowing Health and Fitness clients to reopen, with the exception of Canada, certain states in the United States and Melbourne, Australia.

In response to the reduction in revenue the Group has undertaken numerous cost management actions, including ceasing certain capital expenditure projects, accelerating the integration of recently acquired businesses and accessing government support schemes. We do not consider that any cost management actions to date will impact the longer-term strategic objectives of the Group.

To support our clients through the crisis we offered a promotion of our products that contain online coaching features to enable a continuation of certain services through lockdown, such as recently acquired TrueCoach, which offers a digital coaching product and Xplor, which allows for parent engagement in early childhood education.

Whilst the outlook and full financial impact of the crisis is impossible to predict with a high degree of certainty, we consider that the Group has sufficient financial means and liquidity to withstand the impact of the COVID-19 pandemic.

AI Sky UK Holdco Limited

Strategic Report (continued) for the period from 4 June 2019 to 31 March 2020

Future developments (continued)

The health and wellbeing of all colleagues has remained of utmost importance through the COVID-19 pandemic. As the pandemic developed through March 2020 we successfully enabled our work force to work from home to ensure uninterrupted service to our clients. We have also introduced various forms of support for our colleagues and continued to keep them informed on the impact of COVID on the Group.

Brexit

The United Kingdom left the European Union on 31 January 2020. From that date, the United Kingdom and European Union have been in a transition period pursuant to which the United Kingdom remains subject to EU law and regulation until 31 December 2020. After that date, European law and regulation no longer applies to the UK. The Company's subsidiaries Harlands Services Limited and Debit Finance Collections Plc are both authorised by the UK Financial Conduct Authority to provide payment services.

Harlands Services Limited's authorisation has been passported into multiple countries in the European Union allowing it to provide certain payment services in those countries. After 31 December 2020, UK authorisations passported into the European Union will cease to be valid in the European Union. As such, Harlands Services Limited will no longer be permitted to provide payment services in the European Union.

To ensure business continuity for clients who utilise payment services from Harlands Services Limited in the European Union, the Group is applying for a payments institution authorisation in The Netherlands, via a subsidiary incorporated there.

Acquisitions after period-end

After the period the Group acquired 100% of the share capital of SAS Synodia, a France registered company specialising in health & fitness business management software for gyms in France.

After the period the Group also acquired 100% of the share capital of Lodecom, a France registered company also specialising in business management software for health & fitness centres in France.

Additions and changes to leadership team

Following the period the Group made a number of appointments and changes to management, which included the appointment of a new Chief Executive Officer, Chief Operating Officer (former Chief Executive Officer), Group General Counsel, Chief People Officer and Chief Marketing Officer. Appointments have also been made to management roles reporting to those officer roles noted above, including new areas of expertise such as digital marketing, health and safety, property, inclusion and diversity, learning and development and product strategy, which will all contribute to the ongoing growth and development of the Group.

Outlook and Strategic Focus

Despite the challenges presented by COVID-19 pandemic the directors believe that the Health & Fitness markets will recover quickly, which we have already seen in markets that have re-opened, and the Group will return to growth in the near term based on the sustainable, scalable platform that has been developed and the comprehensive portfolio of products. Key areas of strategic focus for the Group include broadening the distribution of products across multiple regions and the execution of activity in response to COVID-19 that will also strengthen the future organisation.

AI Sky UK Holdco Limited

Strategic Report (continued) for the period from 4 June 2019 to 31 March 2020

Principal risks and uncertainties facing the business

The directors acknowledge the importance of dedicating resource to ensure sufficient planning is made to improve operating margins within the Group. Other principal risks and their mitigation are described to be:

Market risk

Competition within the market creates pricing pressures and potential margin erosion. This risk is managed through continuously improving our software products to strengthen the value proposition for our clients and delivering operational efficiencies through developing more automated and digitalised solutions.

Investment

Failure to invest in infrastructure to meet increasing demands of business growth is an inherent risk of a growing business. Management monitors infrastructure performance and regularly reviews requirements to ensure sufficient resources are available to meet service level commitments and adequately accommodate forecast growth in business demands.

Employee risk

The correct level, mix and retention of staff is required to execute and achieve business strategies and goals. Management ensure key personnel are committed and personal development plans are in place which are specific to their job, measurable on performance and provide challenges which motivate and identify training needs.

Our staff have adapted well to working from home through COVID-19. Although this has brought personal and work challenges, particularly for those with younger children, living alone or with home not easily adapted to work environments. Due to the regionally distributed nature of our business, our teams were already familiar with online collaboration tools as part of their way of working, so productivity has not been impacted materially.

The health and wellbeing of all colleagues has remained of utmost importance through the COVID-19 pandemic. Maintaining frequent communication with our staff while working remotely has been priority.

Regulatory risk

An increasingly complex regulatory and legislative environment increases cost and reduces flexibility. It is common to see reforms of regulation and legislation in our existing markets, such as GDPR and Brexit in Europe. Similarly, as we expand into new markets, such as childcare, the Group becomes subject to new regulation and legislation. The Group maintains adequate resources to monitor compliance against existing, new and changing regulations and laws.

Cyber Risk

The Group continually monitors cyber risk. An adverse cyber related event where systems or data are compromised could negatively affect our market reputation or expose us to penalties, liabilities or legal claims. The Group has a Chief Information Security Officer who is responsible for protecting the business against cyber risk through multiple methods that defend against an intrusion of systems and ensure the protection of all data that the Group collects and holds. This active management of cyber risk is also supplemented with cyber related insurance policies. Lockdowns through COVID-19 have required colleagues to transition to work from home on a continuous basis. Our technology environment was already set up to enable this from both an accessibility, productivity and cyber risk perspective, so changes or disruption from a cyber risk perspective have been minimal.

Further risks are described in the Directors Report on pages 12-18.

AI Sky UK Holdco Limited

Strategic Report (continued) for the period from 4 June 2019 to 31 March 2020

Reconciliation of Adjusted EBITDA for the 5.5 months ending 31 March 2020

Adjusted EBITDA	Australasia 2020 \$000s	UK & Europe 2020 \$000s	North America 2020 \$000s	TOTAL GROUP 2020 \$000s
EBITDA	15,229	(20,182)	(15,297)	(22,145)
Exceptional costs (note 6)	2,458	8,497	5,744	16,813
Directors fees and expenses ⁽¹⁾	62	41	-	103
Non-recurring costs ⁽²⁾	12,858	17,640	1,059	32,813
Finance income ⁽³⁾	31	22	3	88
Adjusted EBITDA	30,638	6,018	(8,491)	27,672

- 1) Directors' fees, monitoring costs, compensation for loss of office and costs associated with the running of the board
- 2) Non-recurring cost associated with the transaction and consulting engagements to assist on strategic, corporate or structural matters
- 3) Finance income reflects operating income earned in billing operations

Approved by the Board and signed on its behalf by:



Jeffrey Paduch
10 September 2020

AI Sky UK Holdco Limited

Directors' Report

for the period from 4 June 2019 to 31 March 2020

The directors present their report and the audited consolidated financial statements for the 5.5 months ended 31 March 2020.

General information

The Company was incorporated on 4 June 2019 in England and Wales. On incorporation 1 ordinary share was issued at par for cash. Until 15 October 2019 the Company was dormant. On 15 October 2019, an additional 672,343,620 ordinary shares were issued at par for cash. A total of 672,343,620 ordinary shares were issued at the end of the period.

AI Sky UK Holdco Limited is domiciled in England and Wales and is a limited Company limited by shares.

Following the acquisition of TSGL, the Group has established operations in the United Kingdom, Europe, Australia, New Zealand and the North America.

The immediate parent company of the Company is AI Sky UK Midco III Limited, a Jersey incorporated company. The ultimate parent undertaking of the Group is AI Sky (Cayman) Limited, a Cayman incorporated company, which is owned by various investment funds managed by Advent International Corporation. The ultimate controlling party is Advent International Corporation, an SEC Registered investment adviser.

The following acquisitions took place within the Group since its incorporation. Please see Note 19 for details of the acquisitions:

On 13 November 2019, AI Sky US Bidco Limited, a subsidiary within the Group, acquired 100% of the shares of Mariana Tek Corporation and Zingfit LLC, incorporated in USA, for \$109,533,000. Both entities provide business management software to boutique and studio facilities in the health and fitness sector primarily in North America, the United Kingdom and Australia.

On 30 November 2019, TSG Holdings NZ Limited, a subsidiary within the Group, acquired 100% of the shares of Software Minder Limited, incorporated in New Zealand, for \$5,211,000. Software Minder Limited trades as PT Minder, providing business management software to personal trainers and class and studio fitness operators primarily in Australia, New Zealand, North America and the United Kingdom.

On 3 December 2019, Transserv UK Limited, a subsidiary within the Group, acquired 100% of the shares of Legend Club Management Systems (UK), incorporated in the United Kingdom, for \$58,972,000. Legend Club Management Systems (UK) provides business management software to the health and fitness sector primarily in the United Kingdom.

On 18 December 2019, AI Sky US Bidco Limited, a subsidiary within the Group, acquired 100% of the shares of TRIIB Inc, incorporated in USA, for \$18,688,000. TRIIB provides business management software to boutique and studio facilities in the health and fitness sector in North America.

On 31 January 2020, AI Sky US Bidco Limited, a subsidiary within the Group, acquired 100% of the shares of BrandBot, LLC, incorporated in USA, for \$17,342,000. Brandbot. LLC provides business management software to boutique and studio facilities in the health and fitness sector in North America.

On 31 January 2020, TSG Holdings Australia No.2 Pty Ltd, a subsidiary within the Group, acquired 100% of the shares of Xplor Pty Ltd, incorporated in Australia, for \$60,774,000. Xplor Pty Ltd provides business management, education and parent engagement software to early education centres in Australia.

On 10 February 2020, TSG Holdings UK Limited, a subsidiary within the Group, acquired 100% of the shares of PerfectMind Inc, incorporated in Canada, for \$68,897,000. PerfectMind Inc provides business management software to the health and fitness sector in North America.

AI Sky UK Holdco Limited

Directors' Report (continued) for the period from 4 June 2019 to 31 March 2020

On 3 March 2020, AI Sky US Bidco Limited, a subsidiary within the Group, acquired 100% of the shares of TrueCoach, Inc, incorporated in USA, for \$56,436,000. TrueCoach, Inc provides business management software to personal trainers and coaches in the health and fitness sector primarily in North America, the United Kingdom and Australia.

Principal activities

The principal activity of the Company during the period was that of a non-trading holding Company. The principal activity of the Group is the provision of business management software, integrated payment processing and services solutions to the Health & Fitness and Childcare & Education industries.

Disclosure in the Strategic Report

As permitted by section 414C (11) certain matters which are required to be disclosed in the Directors' Report have been omitted as they are in the Strategic Report on pages 3 to 10. These matters relate to the future developments, review of business and principal risks and uncertainties of the Company.

Results and dividends

The Group loss after tax for the 5.5 months ended 31 March 2020 amounted to Australian \$67,156,000. No dividends were paid or proposed for the period.

Research and development

Ongoing investment and innovation in technology has placed the Group at the forefront of business management software and electronic recurring payment processing which has allowed the Group to drive an increased market share in the health and fitness and childcare and education industries in Australasia, the United Kingdom and North America. The Group's research and development activities consist of developing and providing clients with software and services solutions online, such as web based client and customer portals and cloud based software. In some markets the Group also has bespoke integrations with third party software providers, providing a further route to market.

Ongoing investment in research and development delivers increased efficiency to our clients and greater flexibility for their customers.

Charitable and political contributions

During the 5.5 months ended 31 March 2020 the Group or Company did not make any charitable or political donations.

BIS audit exemption

For the Group's UK subsidiaries, TSGL UK, AI Sky Aus Finance Limited, AI Sky NZ Finance Limited, AI Sky CDN Finance Limited, AI Sky UK Bidco Limited, TSG Holdings (UK) Limited, TransServ UK Limited, Harlands Group Limited and Harlands Finance Limited, advantage has been taken of the audit exemption available for companies conferred by section 479A of the Companies Act 2006 on the grounds that;

- for the period from 4 June 2019 to 31 March 2020 the Company was entitled to the exemption from a statutory audit under section 479A of the Companies Act 2006 relating to subsidiary companies, and
- no notice has been deposited under section 476 of the Companies Act 2006 in relation to the financial statements for the financial period.

AI Sky UK Holdco Limited

Directors' Report (continued) for the period from 4 June 2019 to 31 March 2020

The directors acknowledge their responsibilities for:

- ensuring that the Company keeps adequate accounting records which comply with section 386 of the Companies Act 2006, and
- preparing financial statements which give a true and fair view of the state of the affairs of the Company at 31 March 2020 and of its profit and loss for the period then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the Company.

Directors

The directors of the Company who were in office during the period and up to the date of signing the financial statements, unless otherwise stated, were:

Myriam Odette Deltenre (appointed 4 June 2019, resigned on 16 October 2019)

Linda Harroch (appointed 4 June 2019, resigned on 16 October 2019)

Thomas Alexander Lorenzo Weisman (appointed 7 October 2019)

Floris Petrus de Kort (appointed 15 October 2019)

Jeffrey David Paduch (appointed 15 October 2019)

The Company maintained Directors' and Officers' Liability Insurance cover throughout the period for directors of the Company and for directors of subsidiaries in the Group.

Employees

During the period, the policy of providing employees with information about the Group's financial performance and strategy has been continued through internal media methods. Employees are encouraged to present their suggestions and views on the Group's performance, and management also carries out engagement surveys allowing employees to provide feedback in an anonymised way. Regular meetings are held between local management and employees to allow a free flow of information and ideas, including contributing to the formation of Group strategy. Departments within the Group hold regular team meetings for the purpose of sharing information and ideas and gathering views which are considered when making decisions which are likely to affect their interests.

We have increased communication with employees through the COVID-19 period to keep them informed of the impact of COVID-19 on the business, changes being made in response to COVID-19 and ensuring they feel supported through a period of significant disruption.

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

The Group actively encourages and celebrates the diversity of its workforce and ensures that all employees are offered equal opportunity.

AI Sky UK Holdco Limited

Directors' Report (continued) for the period from 4 June 2019 to 31 March 2020

Financial instruments

The Group uses a variety of financial instruments including cash, equity investments and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the Group's operations. The directors are of the view that the main risk arising from the Group's financial instruments is liquidity risk. Credit risk is minimal. The directors set and review policies for managing each of these risks and they are summarised below.

The Group continued to comply with bank covenants throughout the reporting period.

Exchange rate risk

Exchange rate fluctuation represents significant risk as the Group's operations are spread over multiple jurisdictions and trade is conducted in the home currency of each jurisdiction. The primary risk is that of translation risk where foreign based operations are translated to the functional and presentation currency for the Group's financial reports (Australian Dollars). As a natural hedge to partially offset this risk, external debt is arranged broadly in similar currencies and proportions to foreign currency earnings.

The directors do not consider that the potential downside associated with this risk at this stage in the Group's development (or in the immediate future) is of sufficient size to require further hedging.

COVID-19 has caused significant volatility in exchange rates. At the end of the period when COVID first impacted markets, the Australian Dollar depreciated sharply by between 4% and 12% versus the United States, United Kingdom and New Zealand currencies, but has since recovered. This sharp decline is reflected in the exchange rates of the closing balance sheet for the period, increasing the translated value of assets and liabilities from their home currency to Australian Dollars.

Interest rate risk

The Group finances its operations through shareholders' funds and external debt facilities. Interest rates on borrowings in various currencies are monitored regularly. The directors do not consider that the potential downside associated with this risk at this stage in the Group's development (or in the immediate future) is of sufficient size to require further hedging.

As the COVID-19 crisis escalated, the base bank rate component of our interest costs reduced approximately 25bps.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The funding for significant new ventures is secured before commitments are made. The cash position is reviewed daily and cash flows are monitored weekly and monthly. This position is also managed by the mix of external financing from the banks too.

The impact of COVID-19 on our clients and our revenue has impacted the Group's cash generation and therefore liquidity. However, while the outlook and full financial impact of the crisis is impossible to predict with a high degree of certainty, we consider that the Group has sufficient financial means and liquidity to withstand the impact of the COVID-19 pandemic.

Credit risk

The Group has minimal credit risk on revenue as the majority of the fees due are deducted from amounts due to customers. The Group does carry a level of credit risk on payment processing for clients in relation to amounts collected that represent a prepayment for subscription services. This risk is diminished due to the high frequency of transactions and because services are continuously delivered consumers, as a result it is considered a low risk. All potential areas of financial risk are monitored by management. Any preventative or corrective measures are taken as necessary.

AI Sky UK Holdco Limited

Directors' Report (continued) for the period from 4 June 2019 to 31 March 2020

Independent auditors

During the period, PricewaterhouseCoopers LLP were appointed in office as auditors of the Company, and a resolution to reappoint be considered at a forthcoming Board meeting.

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- 1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- 2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Post balance sheet events

On 1 April 2020, Sky EU Bidco S.a.r.l., a subsidiary within the Group, acquired 100% of the share of Synodia SAS, a France incorporated entity, for €28,000,000 which is equivalent to \$45,800,000. Synodia provides health & fitness business management software for gyms in France.

On 24 June 2020, Sky EU Bidco S.a.r.l., a subsidiary within the Group, acquired 100% of the share of Lodecom SAS, a France incorporated entity, for €6,350,000 which is equivalent to \$10,400,000. Lodecom provides health & fitness business management software for gyms in France.

Please see Note 26 for details of the acquisitions.

COVID-19 has also impacted the balance sheet of the Group after the period, most notably due to a reduction in cash generation for the Group requiring the Group to fund operations through cash on hand. The impact of COVID-19 on the Group's revenue and cash has been factored into the assessment of carrying value of the Group's assets as at the period end.

AI Sky UK Holdco Limited

Directors' Report (continued) for the period from 4 June 2019 to 31 March 2020

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business. The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

AI Sky UK Holdco Limited

Directors' Report (continued) for the period from 4 June 2019 to 31 March 2020

Going concern

The directors have undertaken a review of the going concern status of the Company and Group by considering the anticipated level of future trading activity and the associated cash flows for a period of 12 months from the date of approval of these financial statements. This review focused primarily on the liquidity requirements of the Company and Group and the Group's forecast compliance with the covenants set out in its banking facilities.

The COVID-19 pandemic has had a significant impact on the Group to date and the directors have been taken into account their best estimate of the anticipated future impact of COVID-19 when assessing the Company and Group's liquidity and covenant compliance position. This anticipated impact has been factored into the director's base case outlook in reviewing the going concern basis of preparation. The base case outlook reflects the temporary closure of a large portion of our client base in all markets from April 2020 through to June 2020 and a gradual recovery through the remainder of the FY21 period and beyond. This base case indicates that the Group can meet its obligations when they fall due and has sufficient headroom in complying with banking covenant requirements for a period of at least 12 months from the date of approval of these financial statements. The directors note that the Group's results for the year to date are ahead of their base case.

The directors have also undertaken a downside sensitivity on the base case that reflects a severe but plausible downside scenario in light of the significant uncertainty created by COVID 19. In this severe but plausible downside scenario, there is a reduction in headroom on the Group's banking covenant in two of the test periods under review but the Group does maintain compliance with covenants and still retains sufficient liquidity to continue as a going concern. Whilst the directors do not consider this severe but downside scenario to be a likely outcome, if it were to eventuate the Directors have options available to them, and fully within their control, to maintain compliance with Group's banking covenants.

Accordingly, having reviewed forecast liquidity and forecast banking covenants for the Company and the Group for a period of at least 12 months from the date of approval of the financial statements, and also taking into account a severe but plausible downside scenario as a result of the uncertainty caused by COVID-19 and the actions available to the directors in the event that scenario eventuated, the directors are satisfied that the financial statements should be prepared on a going concern basis.

On behalf of the Board



Jeffrey Paduch
Director
10 September 2020

Independent auditors' report to the members of AI Sky UK Holdco Limited

Report on the audit of the financial statements

Opinion

In our opinion, AI Sky UK Holdco Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2020 and of the group's loss and the group's cash flows for the 10 month period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 March 2020; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the period from 4 June 2019 to 31 March 2020; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of AI Sky UK Holdco Limited

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 17, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Simon Bailey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
10 September 2020

AI Sky UK Holdco Limited

Consolidated Statement of Comprehensive Income for the period from 4 June 2019 to 31 March 2020

	Note	GROUP 2020 \$000s
Revenue	5	82,835
Operating costs before exceptional costs, depreciation and amortisation		(88,167)
EBITDA prior to exceptional items		(5,332)
Operating costs - exceptional items	6	(16,813)
EBITDA		(22,145)
Depreciation of property, plant and equipment	7	(845)
Gain on sale of property, plant and equipment		4
Amortisation of software	8	(22,694)
Amortisation of customer relationships	8	(5,695)
Amortisation of leased assets		(2,050)
Total operating costs	9	(136,260)
Earnings before interest and tax (EBIT)		(53,425)
Finance income		88
Finance costs		(22,458)
Foreign exchange loss and other income		(3,944)
Finance costs - net	9	(26,314)
Loss before income tax		(79,739)
Income tax	10	12,583
Loss for the financial year		(67,156)
Other comprehensive income/(expenses) (net of tax)		
Items that may be subsequently reclassified to profit and loss		
Currency translation differences		26,348
Other comprehensive income (net of tax)		26,348
Total comprehensive expense for the year (net of tax)		(40,808)

The Statement of Comprehensive Income above is for the 5.5 months ended 31 March 2020.

The attached statement of accounting policies and notes on pages 25 to 65 are an integral part of these consolidated financial statements.

EBITDA: Earnings before interest, tax, depreciation and amortisation.

AI Sky UK Holdco Limited

Consolidated and Company Balance Sheets as at 31 March 2020

	Note	GROUP 2020 \$000s	COMPANY 2020 \$000s
NON-CURRENT ASSETS			
Property, plant and equipment	7	8,130	-
Right of use asset	24	12,427	-
Investments	13	-	840,040
Goodwill	8	1,036,210	-
Intangible assets	8	636,178	-
		<u>1,692,945</u>	<u>840,040</u>
CURRENT ASSETS			
Cash and cash equivalents	14	117,887	-
Collection deposits	14	35,913	-
Trade and other receivables	15	14,534	-
Income tax receivable		4,426	-
Loans to group companies	16	-	87
		<u>172,760</u>	<u>87</u>
Total Assets		<u>1,865,705</u>	<u>840,127</u>
NON-CURRENT LIABILITIES			
Deferred tax liability	10	108,110	-
Lease liabilities	24	8,593	-
Borrowings	17	754,648	-
		<u>871,351</u>	<u>-</u>
CURRENT LIABILITIES			
Trade and other payables	18	144,360	-
Deferred income		9,934	-
Collection liabilities	14	35,913	-
Lease liabilities	24	3,742	-
Income tax payable		1,079	-
		<u>195,028</u>	<u>-</u>
Total Liabilities		<u>1,066,379</u>	<u>-</u>
Net Assets		<u>799,326</u>	<u>840,127</u>
EQUITY			
Share capital	12	840,134	840,134
Other reserves	11	26,348	-
Accumulated losses		(67,156)	(7)
Total Equity		<u>799,326</u>	<u>840,127</u>

The Company has elected to take exemption under section 408 of the Companies Act 2006 not to present the parent Company profit and loss account. The loss for the parent Company for the period from 4 June 2019 to 31 March 2020 was \$7,000.

The notes on pages 25 to 65 are an integral part of these consolidated financial statements.

The financial statements and related notes on pages 21 to 65 were approved by the Board of Directors on 10 September 2020 and signed on its behalf by:



Jeffrey Paduch, Director



Floris De Kort, Director

Company registered no: 12031110

AI Sky UK Holdco Limited

Consolidated Statement of Changes in Equity for the period from 4 June 2019 to 31 March 2020

	Note	Share Capital \$000s	Other Reserves \$000s	Acc. Losses \$000s	Total Equity \$000s
Group					
Balance at 4 June 2019		-	-	-	-
Loss for the financial year		-	-	(67,156)	(67,156)
<i>Other comprehensive income</i>					
Currency translation differences	11	-	26,348	-	26,348
Total other comprehensive income		-	26,348	-	26,348
Total comprehensive expense		-	26,348	(67,156)	(40,808)
<i>Transactions with owners</i>					
Share capital issued		840,134	-	-	840,134
Total transaction with owners		840,134	-	-	840,134
Balance at 31 March 2020	12	840,134	26,348	(67,156)	799,326

Company Statement of Changes in Equity for the period from 4 June 2019 to 31 March 2020

	Note	Share Capital \$000s	Other Reserves \$000s	Acc. Losses \$000s	Total Equity \$000s
Company					
Balance at 4 June 2019		-	-	-	-
Loss for the financial year		-	-	(7)	(7)
Total comprehensive expense		-	-	(7)	(7)
<i>Transactions with owners</i>					
Share capital issued		840,134	-	-	840,134
Total transaction with owners		840,134	-	-	840,134
Balance at 31 March 2020	12	840,134	-	(7)	840,127

The notes on pages 25 to 65 are an integral part of these consolidated financial statements.

AI Sky UK Holdco Limited

Consolidated Statement of Cash Flows for the period from 4 June 2019 to 31 March 2020

	Note	GROUP 2020 \$000s
Cash flows from operating activities		
Cash receipts from customers		88,722
Interest income	9	88
Cash payments to suppliers and employees		(79,141)
Interest paid		(20,357)
Income tax paid		(2,786)
Net cash flows used in operating activities		<u>(13,474)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	7	(1,236)
Acquisition costs		(6,624)
Proceeds from disposals of property, plant and equipment		33
Acquisition of intangible assets		(359)
Capitalisation of software development assets		(9,125)
Business acquisition	19	<u>(1,047,114)</u>
Net cash flows used in investing activities		<u>(1,064,425)</u>
Cash flows from financing activities		
Shares issued	12	840,134
Shares issued for rollover of sellers shareholding		(298,204)
Receipt of cash held on behalf of related parties	14	77,659
Proceeds from borrowings (net of funding costs)		754,648
Repayments on borrowings		(175,983)
Payment for lease liabilities		<u>(2,468)</u>
Net cash flows generated from financing activities		<u>1,195,786</u>
Net increase in cash and cash equivalents		<u>117,887</u>
Cash and cash equivalents at the end of the year		<u>117,887</u>

The Company holds no cash or bank accounts, and therefore has not prepared a statement of cash flows.

The notes on pages 25 to 65 are an integral part of these consolidated financial statements.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

1. Summary of significant accounting policies

General information

Notes to the Financial Statements

The Company was formed on 4 June 2019 to acquire the existing business of Transaction Services Group Limited ("TSGL"), a United Kingdom registered business with established operations in the United Kingdom, Continental Europe, Australia, New Zealand and the North America. This acquisition completed on 15 October 2019. The financial results record the 5.5 months trading since acquisition.

The Group specialise in providing business management software and the outsourced management of recurring payment services. Collectively the software and services are described by the Group as revenue management solutions that help clients to onboard, manage, retain and maximise revenue from their customers. The solutions are organised around numerous software and service platforms operating across Australasia, the United States, the United Kingdom and Europe and provide services to a range of industries including Health and Fitness, Childcare, Education, Insurance, Healthcare, Sports and Entertainment.

The principal activity of the Company is that of a holding company for the Group and has no operating activities. The Company is a private limited company, limited by shares, incorporated in England, United Kingdom. The address of its registered office is 2nd Floor Rockwood House, 9-17 Perry Mount Road, Haywards Heath, West Sussex, United Kingdom, RH16 3TW. For commentary on the Group's performance and financial position during the reported period, refer to pages 3 and 4 of the Strategic Report.

The financial position and performance of the Group was particularly affected by the following events and transactions that occurred during the reporting period:

- TSGL was acquired by Advent International, a global private equity company incorporated in the United States, on 21 June 2019. As a part of this acquisition, AI Sky UK Holdco was formed on 4 June 2019 to acquire the existing business of TSGL. This acquisition was completed on 15 October 2019. The performance of the Group includes non-recurring consulting costs in relation to consulting engagements following the acquisition, primarily relating strategic planning and structuring.
- The completion of the acquisition by Advent International resulted in the recognition of goodwill and other intangible assets, which are disclosed in Note 19.
- After the completion of the acquisition by Advent International, a series of acquisitions took place within the Group. These acquisitions resulted in the recognition of goodwill and other intangible assets, which are disclosed in Note 19.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

International Financial Reporting Standards

The financial statements of the Company and Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Refer to Note 3 for details.

The Group and Company has consistently applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, and endorsed by the EU, relevant to its operations and effective on 4 June 2019.

Amendments to published standards

The following new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 April 2019, and have been applied in preparing these financial statements:

- IFRS 16, 'Leases';

The following new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 April 2019, but have not been applied in preparing these financial statements as they are not applicable to the Group and Company:

- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19

Interpretations and standards that are not yet effective and have not been early adopted by the Group and Company:

- Definition of Material – Amendments to IAS 1 and IAS 8.

The above new accounting standard and interpretation has been published, is not yet effective and has not been early adopted by the Group and Company. This standard is not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

As the current reporting period is the first financial period for the Group, IFRS 16 is adopted as its initial accounting policy for leases rather than a change in accounting policy.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

1. Summary of significant accounting policies (continued)

IFRS 16 Leases

The Group has applied IFRS 16 'Leases' from 4 June 2019. The standard requires a lessee to recognise a right of use asset and a lease liability at inception for all applicable lease contracts. The expense that was previously recorded in relation to these leases changes from being included in operating expenses, to being included in depreciation and interest expenses. The cash payments that were previously recorded in operating activities within the statement of cash flows are now split into the principal portion (presented within financing activities) and interest portion (presented within operating activities).

In determining applicable leases, the Group has excluded leases where either the underlying asset is considered low value or the lease term is less than 12 months from commencement date by exercising the exemptions provided in the standard. Lease payments associated with excluded leases are recognised as an expense in the income statement on a straight-line basis over the lease term.

In accordance with the assessment disclosed in the Group's annual report for the period from 4 June 2019 to 31 March 2020, the Group has recognised a lease liability and a right of use asset at an amount equal to the lease liability (net of the existing deferred lease incentive) on all applicable leases in effect at the date of adoption.

Going concern

The directors have undertaken a review of the going concern status of the Company and Group by considering the anticipated level of future trading activity and the associated cash flows for a period of 12 months from the date of approval of these financial statements. This review focused primarily on the liquidity requirements of the Company and Group and the Group's forecast compliance with the covenants set out in its banking facilities.

The COVID-19 pandemic has had a significant impact on the Group to date and the directors have been taken into account their best estimate of the anticipated future impact of COVID-19 when assessing the Company and Group's liquidity and covenant compliance position. This anticipated impact has been factored into the director's base case outlook in reviewing the going concern basis of preparation. The base case outlook reflects the temporary closure of a large portion of our client base in all markets from April 2020 through to June 2020 and a gradual recovery through the remainder of the FY21 period and beyond. This base case indicates that the Group can meet its obligations when they fall due and has sufficient headroom in complying with banking covenant requirements for a period of at least 12 months from the date of approval of these financial statements. The directors note that the Group's results for the year to date are ahead of their base case.

The directors have also undertaken a downside sensitivity on the base case that reflects a severe but plausible downside scenario in light of the significant uncertainty created by COVID 19. In this severe but plausible downside scenario, there is a reduction in headroom on the Group's banking covenant in two of the test periods under review but the Group does maintain compliance with covenants and still retains sufficient liquidity to continue as a going concern. Whilst the directors do not consider this severe but downside scenario to be a likely outcome, if it were to eventuate the Directors have options available to them, and fully within their control, to maintain compliance with Group's banking covenants.

Accordingly, having reviewed forecast liquidity and forecast banking covenants for the Company and the Group for a period of at least 12 months from the date of approval of the financial statements, and also taking into account a severe but plausible downside scenario as a result of the uncertainty caused by COVID-19 and the actions available to the directors in the event that scenario eventuated, the directors are satisfied that the financial statements should be prepared on a going concern basis.

Entities reporting

The Consolidated Financial Statements for the Group are for the economic entity comprising AI Sky UK Holdco Limited and its subsidiaries.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

1. Summary of significant accounting policies (continued)

(b) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of the Company as at 31 March 2020 and the results of its subsidiaries for the period ended on that date. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for the business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date, that if known, would have affected the amounts recognised as of that date.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains or losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(c) Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is the Group's presentation currency.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair values were determined.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

1. Summary of significant accounting policies (continued)

Financial statements of foreign operations

The revenues from foreign operations are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. This would normally be the average foreign exchange rate for the reporting period, or such shorter period for an entity or business acquired or disposed of during the period. All resulting exchange differences are recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) Revenue

Fees and commissions, net of refunds, discounts and allowances are recognised when it is probable the economic benefit will flow to the Group. Fees earned on billing transactions are recognised on completion of the billing transaction. Fees earned on software sales are deferred and recognised evenly every month over the length of the contract.

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest rate method.

Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payment is established, which is when the dividend is declared.

(e) Expenses

Leases

Upon adoption of IFRS 16 *Leases*, the Group recognised lease liabilities in relation to its operating leases, measured at the present value of the remaining lease payments, discounted using the Groups incremental borrowing rate as at the beginning of the reporting period. Subsequently, the carrying value of the lease liability is adjusted to reflect interest and lease payments made. The interest and lease payments made are expensed in the Statement of Comprehensive Income. The carrying amount of the leased asset is recorded as the right of use asset and is measured as being equal to the lease liability on at the beginning of the reporting period.

Interest expense

Interest expense comprises interest payable on borrowings calculated using the effective interest rate method, and gains and losses on derivative instruments that are recognised in the statement of comprehensive income.

The interest expense component of finance lease payments is recognised in the statement of comprehensive income using the effective interest rate method.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

1. Summary of significant accounting policies (continued)

(f) Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except if it relates to items recognised directly in equity, in which case the income tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates at the balance sheet date, and any adjustments to tax payable in prior periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill and other intangible assets not deductible for taxation purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected realisation or settlement of the carrying amount of assets and liabilities, using tax rates at balance sheet date, or if known, tax rates at the expected time of realisation or settlement.

(g) Property, plant and equipment

Owned assets

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation rates include both straight line and diminishing value methods, and equate approximately to their estimated useful lives.

The depreciation rates are as follows:

- | | |
|--|--|
| • Land, lease improvements & buildings | 2% - 20% or over the life of the lease |
| • Furniture, office equipment & motor vehicles | 5% - 40% |
| • Computer hardware | 18% - 48% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

1. Summary of significant accounting policies (continued)

(h) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration paid over the fair value of the identifiable net assets acquired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs) that is expected to benefit from the business combination in which the goodwill arose. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the amount of goodwill relating to the entity sold.

Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date calculated on an excess earnings basis. Customer relationships is defined as the relationship with customers paying membership fees, or when appropriate, key contracts with clients. Customer relationships are amortised over their useful life at an amortisation rate of between 5% to 20% on a straight line basis.

Trade names

Trade names acquired in a business combination are recognised at fair value at the acquisition date calculated on a royalty relief basis. Trade names have an indefinite useful life and are subject to impairment testing. Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the trade name is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Trade names are carried at cost less accumulated impairment losses within intangible assets.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

1. Summary of significant accounting policies (continued)

(h) Intangible assets (continued)

Computer software

Computer software purchased is capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Development costs that are directly attributable to the design, development and testing of new or substantially improved major software products and processes controlled by the Group are capitalised and recognised as intangible assets when the following criteria are met:

- the product or process is technically and commercially feasible;
- the Group has sufficient resources to complete development, and intends to complete the development of the software product;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software acquired in a business combination is recognised at fair value at the acquisition date based on a replacement cost valuation method or multi period excess earnings method.

All computer software is amortised to residual value over estimated useful life. Amortisation rates range between 15% and 40%.

Computer software is stated at cost less accumulated amortisation.

Costs associated with maintaining computer software programmes and annual licence fees are recognised as an expense as incurred.

(i) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one period or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

In accordance with IFRS 9 *Financial Instruments*, the Group recognises impairment losses using the lifetime Expected Credit Loss (ECL) model. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Group expects to receive. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

(j) Financial assets at amortised costs

Financial assets at amortised costs are initially recognised at the fair value of the amounts to be received, plus any transaction costs (if any). They are subsequently measured at amortised cost using the effective interest rate method less impairment losses.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

1. Summary of significant accounting policies (continued)

(k) Cash and cash equivalents and collection deposits

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and bank overdrafts with maturities of 3 months or less. Collection deposits are Company funds deposited at call with financial institutions in bank accounts separate from those relating to the operations of the Group.

(l) Impairment on non-financial assets

The carrying amount of the Group's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life, and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. These classes were valued as at the date of acquisition and considered for impairment at 31 March 2020. Refer to Note 8 for details of the impairment assessment performed as at 31 March 2020.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

The recoverable amount of other assets is the greater of their net selling price and value in use.

(m) Share capital

Ordinary shares are classified as equity. Transaction costs attributable to the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Dividends are recognised as a liability in the period in which they are declared.

(n) Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributed transaction costs. The attributed transaction costs are amortised over the period of the borrowings on an effective interest basis. Borrowings are subsequently measured at amortised cost. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(o) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one period or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

1. Summary of significant accounting policies (continued)

(p) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. As a result of the COVID-19 pandemic, liabilities relating to annual leave have accumulated at a higher rate than usual during the period ending 31 March 2020, however management have taken steps to actively manage the reduction of these liabilities within the next 12 months.

Pension contributions

For defined contribution plans, the Group pays contributions to independently administered superannuation plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(q) Value added tax (VAT) / Goods and services tax (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of VAT/GST. All items in the balance sheet are stated net of VAT/GST, with the exception of receivables and payables, which include VAT/GST invoiced.

(r) Exceptional items

Exceptional items are disclosed separately on the statement of comprehensive income. Exceptional items comprise of expenses that are non-recurring in nature relating to acquisitions, disposals and the wind down of subsidiaries.

(s) Financial instruments

Financial instruments recognised in the Statement of Financial Position include cash and cash equivalents, receivables and payables, contingent consideration and term debt.

Classification and fair values

The Group performs a fair value assessment of its financial assets and liabilities at each financial period end in accordance with IFRS 9. Under IFRS 9, financial instruments are classified as either measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The Group classifies its financial assets and liabilities stated above at amortised cost.

Recognition and derecognition

Financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group recognises its financial assets and liabilities at fair value. The financial assets and liabilities are subsequently recognised at amortised cost.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

1. Summary of significant accounting policies (continued)

(t) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. For those derivative instruments that do not qualify for hedge accounting, any changes in the fair value of the derivative instrument is recognised immediately in the statement of comprehensive income.

Derivative instruments that do qualify for hedge accounting reflect changes in the fair value of the derivative instrument through a hedge reserve in the balance sheet, to the extent that the hedge is effective. The gain or loss relating to any ineffective portion is recognised immediately in the statement of comprehensive income.

There were no derivatives as at 31 March 2020.

2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign Exchange Risk

The Group operates internationally and is exposed to fluctuations in foreign exchange rates when reporting on a consolidated basis, where performance in the home currency of foreign operations is translated to the reporting currency of Australian dollars. However, the Group's exposure to fluctuations in foreign currency in trading and cash flow is limited as the Group's trading and financing structure naturally hedges the exposure to foreign currency. This is due to the majority income and costs from trading in foreign jurisdictions being denominated in local currencies and the Group's borrowings and financings costs being denominated in proportion to local currencies.

Below is an illustrative sensitivity of the impact on reported Profit before Tax and Adjusted EBITDA due to a +/-5% shift in the translation of New Zealand Dollars and British Pounds to Australian Dollars for the period ended 31 March 2020:

Profit before Tax	5.5 months ended 31 March 2020
+/-5% in NZD	\$491,000
+/-5% in GBP	\$203,000
+/-5% in USD	\$914,000
 Adjusted EBITDA	 5.5 months ended 31 March 2020
+/-5% in NZD	\$158,000
+/-5% in GBP	\$301,000
+/-5% in USD	\$425,000

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

2. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest Rate Risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates exposes the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

Based on a simple simulation, if for the period from 4 June 2019 to 31 March 2020 interest rates on variable borrowings had been 50 basis points higher/lower with all other variables held constant, the calculated post-tax profit for the period would have been \$144,000 lower/higher.

Under certain scenarios the Group manages its interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at quarterly intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

(iii) Price Risk

The Group is not exposed to price risk given the Group does not hold any equity investments.

(b) Credit risk

The Group has minimal credit risk as the majority of the fees due are deducted from amounts due to customers. All potential areas of financial risk are regularly monitored and reviewed by the directors and senior management. Any preventative or corrective measures are taken as necessary.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with an appropriate credit rating are accepted. Receivables from customers are settled in cash as part of the collection services performed by the Group.

The credit risk associated with trade receivables is small due to the inherently short timing difference and the distribution over a large number of customers. Due to this, the trade receivable balances do not consist of any concentration of risk that is considered individually material.

At the period end, the receivables that are over 30 days due are still within their collection terms, thus there is no increased credit risk for these receivables. Loss allowance on receivables are based on assumptions about the counterparty's risk of default. The Group uses judgement in making these assumptions and to determine balances that are in default.

Refer note 22 for further disclosures.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

2. Financial risk management (continued)

(c) Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The funding for significant new ventures is secured before commitments are made. The cash position is reviewed daily and cash flows are monitored weekly and monthly. The cash flow forecasts are appropriately adjusted for any uncertainty as a result of the COVID-19 pandemic.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 March 2020	Less than 12 months \$000s	Between 1 and 2 years \$000s	Between 2 and 5 years \$000s	Over 5 Years \$000s
GROUP				
Commercial loans	-	-	-	786,367
Trade and other payables	68,013	-	-	-
Amounts owed to related parties	-	-	-	76,347
Collection liabilities	35,913	-	-	-
Lease liabilities	4,163	4,056	4,465	1,375

(d) Fair value estimation

Level 1 - Financial instruments for which valuations are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets, where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis;

Level 2 - Financial instruments valued using inputs other than quoted prices as described above for level 1 but which are observable for the asset or liability, either directly or indirectly, such as:

- using recent arm's length market transactions or with reference to the current fair value of similar instruments;
- linear financial instruments such as swaps and forwards which are valued using market standard pricing techniques;
- options that are commonly traded in markets whereby all the inputs to the market standard pricing models are deemed observable.

Financial assets and financial liabilities not measured at fair value, their carrying values approximate their fair value, as the impact of discounting is not significant.

Trade receivables and trade payables are level 2 instruments under the fair value hierarchy, while cash and cash equivalents are a level 1 instrument under the fair value hierarchy.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

3. Critical accounting estimates and judgments

The Group makes judgements and assumptions concerning the future that impact the application of policies and reported amounts. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events.

The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed below.

Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Useful economic lives of intangibles

The Group reviews the estimated useful lives and residual values of intangible assets annually. The assets are amortised over their estimated useful lives to their residual values. Details of the useful lives assigned to the Group's intangible assets is included in note 1(h). The carrying values of the Group's intangible assets are included in note 8.

Business combinations

The main area of judgement in business combinations are the assumptions and estimations used in accounting for the acquisition of new businesses, particularly in relation to the allocation of the purchase price between goodwill and intangible assets. The methodology used to value computer software and customer relationships, along with the key assumptions used to value goodwill and trade names are detailed in Note 8.

Impairment

Financial assets, such as receivables, and non-financial assets, such as brands and customer lists, and property, plant and equipment, are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on the higher of the value in use and fair value less costs to dispose. Value in use is calculated from expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance.

The Group tests annually whether goodwill and other intangibles have suffered any impairment, in accordance with the accounting policy (h) Intangible assets. Due to the recent challenges presented by the outbreak of COVID-19 in the Group's key markets, the directors consider the impairment of goodwill and other intangibles to be a significant estimate when preparing these financial statements. Information about assumptions and estimates used in the goodwill impairment testing along with a sensitivity analysis of these assumptions is included in Note 8.

Going concern

A review of the going concern status of the Group is carried out by considering the anticipated level of future trading activity and the associated cash flow requirements for a period of 12 months from the date of approval of these financial statements, taking into account the potential impact of COVID-19 on the commitments of the Group. Refer to page 26 for further details.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

4. Capital management

The Group's objectives when managing capital, are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the leverage ratio. This ratio is calculated as net debt, divided by total management EBITDA earnings. Net debt is calculated as the total borrowings (including 'current and non-current borrowings', as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the 5.5 months ended 31 March 2020, the Group's strategy was to maintain the leverage ratio.

The leverage ratios at 31 March 2020 were as follows:

	GROUP 2020 \$000s
Total borrowings	754,648
Less: Cash and cash equivalents	(117,887)
Net debt at 31 March	636,761
Total equity	799,326
Total capital	1,436,087
Leverage ratio	44%

The Group are required to comply with certain liquidity and cash flow covenants imposed by the bank and reported on a quarterly basis. During the current period, the Group has complied with all such requirements.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

5. Revenue

Revenue comprises of \$82,168,000 service revenue and of sale of goods \$667,000. Revenue is split by geographical region based on the destination of revenue as follows:

Revenue	GROUP 2020 \$000s
Australasia	53,845
United Kingdom	19,672
USA & North America	9,316
Other	2
Total Revenue	82,835

6. Exceptional items

Items that are material either because of their size or their nature, or that are non-recurring are considered as exceptional items and are presented within the line items to which they relate to. During the period, the exceptional items as detailed below have been included in total operating costs in the Statement of Comprehensive Income.

An analysis of the amount presented as exceptional items in these financial statements is detailed below.

Exceptional items	GROUP 2020 \$000s
Cost of winding down US entities	1,425
Cost of acquisition	15,388
Total operating items which are of exceptional nature	16,813

The costs of winding down US entities relates to the closure of the Group's offices in Phoenix and San Diego, which contained sales, account management and marketing staff selling and supporting certain of the Group's products in the United States. The Group has now ceased to sell those products in the United States. The costs relate to severance costs and other incidental closure costs.

The costs of acquisitions relate to financial, product, technology, legal and compliance due diligence and incidental costs incurred in assessing acquisition opportunities.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

7. Property, plant and equipment

Group	Land, lease improvements & buildings \$000s	Furniture, office equipment & motor vehicles \$000s	Computer hardware \$000s	Total \$000s
COST				
Balance at 4 June 2019	-	-	-	-
Acquisition of subsidiaries	2,622	1,986	3,255	7,863
Exchange differences	15	38	10	63
Additions	178	528	530	1,236
Disposals	-	-	(29)	(29)
Balance at 31 March 2020	2,815	2,552	3,766	9,133
ACCUMULATED DEPRECIATION				
Exchange differences	46	6	106	158
Depreciation charge	81	158	606	845
Balance at 31 March 2020	127	164	712	1,003
NET BOOK AMOUNTS				
31 March 2020	2,688	2,388	3,054	8,130

Company

The Company had no property, plant and equipment at the period end.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

8. Goodwill and intangible assets

Group	Total Goodwill \$000s	Customer relationships \$000s	Computer software \$000s	Trade names \$000s	Total Intangibles \$000s
COST					
Balance at 4 June 2019	-	-	-	-	-
Acquisition of subsidiaries	1,028,016	228,942	353,322	50,389	632,653
Exchange fluctuation	8,194	4,987	16,258	2,026	23,271
Additions	-	-	9,484	-	9,484
Balance at 31 March 2020	1,036,210	233,929	379,064	52,415	665,408
ACCUMULATED AMORTISATION					
Amortisation charge	-	5,695	22,694	-	28,389
Exchange fluctuation	-	122	719	-	841
Balance at 31 March 2020	-	5,817	23,413	-	29,230
NET BOOK AMOUNTS					
31 March 2020	1,036,210	228,112	355,651	52,415	636,178

Company

Included in the computer software additions of \$9,484,000 is \$359,000 of software acquired from third parties. The remaining additions relate to internally generated software assets.

The company had no goodwill and intangible assets at the period end.

For the goodwill and intangible assets that arose when the TSGL Group was acquired by Advent International, the key assumptions, long term growth rates and discount rates used in the value in use calculations by CGU are as follows:

Key assumptions	Australasia CGU	UK & Europe CGU	Rest of World CGU
<u>Goodwill</u>			
Revenue (% annual growth rate) initial years	8.7%	8.3%	17.7%
Revenue (% annual growth rate) later years	5.1%	7.5%	21.4%
Operating costs (% of revenue)	30.0%	50.0%	45.0%
Terminal growth rate	3.3%	3.0%	3.0%
Discount rate	9.5%	11.9%	21.8%
<u>Trade names</u>			
Discount rate	8.5%-10.0%	9.5%-10.5%	N/A

The cashflow projections of all CGUs have been made for a period of more than five years as a longer length of projection provides a more reliable cashflow estimate. Growth rates for initial years are based on historical growth rates and in many cases reflect that the acquired business is growing quickly off a relatively small revenue base.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

8. Goodwill and intangible assets (continued)

For the goodwill and intangible assets acquired during FY20, the key assumptions, long term growth rate and discount rate used in the fair value calculations are as follows:

Key assumptions	Mariana Tek	Zingfit	Brandbot	TrueCoach	Triib
<u>Goodwill</u>					
Revenue (% annual growth rate) initial years	49.2%	2.3%	46.5%	49.1%	32.9%
Revenue (% annual growth rate) later years	16.7%	-7.8%	9.5%	16.0%	13.2%
Operating costs (% of revenue)	20.0%-30.0%	5.0%	40.0%	45.0%	36.0%
Terminal growth rate	3.0%	3.0%	3.0%	3.0%	3.0%
Discount rate	30.9%	9.9%	23.0%	23.3%	18.7%

<u>Trade names</u>					
Discount rate	22.5%	11.5%	23.0%	23.3%	18.7%

Key assumptions	Xplor	PT Minder	Legend	PerfectMind
<u>Goodwill</u>				
Revenue (% annual growth rate) initial years	19.4%	17.2%	9.3%	13.0%
Revenue (% annual growth rate) later years	8.1%	5.0%	3.0%	5.0%
Operating costs (% of revenue)	37.0%	43.0%	26.0%	-28.0%
Terminal growth rate	3.3%	3.0%	3.0%	3.0%
Discount rate	14.2%	27.0%	17.8%	16.4%

<u>Trade names</u>				
Discount rate	14.0%	27.0%	16.7%	15.6%

The nature of all businesses acquired in the period is similar, being businesses that provide business management software to either the health and fitness or childcare and education markets. As such we have used consistent methodology in valuing intangible assets from these acquisitions. For software assets we have used a relief from royalty methodology, cross referenced to multi-period excess earnings and cost methodologies where appropriate. For customer relationships assets we have used multi-period excess earnings methodology. For trade names assets we have used relief from royalty methodologies. Key assumptions such as attrition or royalty rates reflect in the valuations reflect historical averages or market benchmarks, cross referenced to the expectation of future performance and adapted as appropriate.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

8. Goodwill and intangible assets (continued)

Impairment testing of goodwill

An overview of impairment reviews performed by CGUs is set out below.

The recoverable amount of each CGU has been determined based on both value in use and fair value less disposal costs methodologies, using cash flow projections from financial budgets and forecasts.

The COVID-19 pandemic has had a significant impact on our revenue from the health and fitness sector in Australasia, the United Kingdom and Europe and North America. The impact from April 2020 through to June 2020 has been factored into these forecasts, as has the expected recovery through the remainder of the FY21 period (and beyond). The key assumptions in the projections, for all CGUs, were as follows:

- The forecast for each of the Australasia, UK & Europe and Rest of World CGUs include actual trading performance for April to June 2020, with forecast trading performance thereafter for the period to go and in subsequent financial periods
- Nearly all of our markets have seen a lockdown forcing the temporary closure of our health and fitness clients. The recovery of revenue from these temporary closures over the period to go differs for each CGU based on the current environment and latest state and federal restrictions in place. The key assumptions for each market are outlined below:
 - Australasia CGU: With the exception of Victoria, Australia, health and fitness clients in all remaining states in Australia and New Zealand have now re-opened. Revenue in July 2020 has recovered to 80% of pre-COVID levels. Our forecast assumes a gradual recovery where revenue returns to pre-COVID levels in February 2021. Melbourne is assumed to experience a continued lockdown through August 2020. Modest revenue growth returns in FY22 with a return to long term average growth from FY23. An illustration of the revenue forecast for FY21 to FY25 is shown in the table on the page 45
 - United Kingdom & Europe CGU: The forecast assumes health and fitness clients across the United Kingdom would re-open following lockdown from 25 July, which has occurred, and then a gradual recovery where revenue returns to pre-COVID levels at March 2021. This recovery assumption is based on what we have seen in other markets that have re-opened prior to the United Kingdom & Europe. Modest revenue growth returns in FY22 with a return to long term average growth from FY23. An illustration of the revenue forecast for FY21 to FY25 is shown in the table on the page 46
 - Rest of World CGU: The forecast for the Rest of World CGU primarily relates to our business in North America. The forecast assumes the health and fitness market in North America continues to remain constrained by lockdowns at a state or regional level. Approximately 80% of revenue in our North America business is software subscriptions, which has been more stable through lockdowns. Payments revenue is assumed to recover gradually to pre-COVID levels at January 2021. This recovery assumption is based on what we have seen in other markets that have re-opened prior to the North America. Modest revenue growth continues in FY22 and growth resumes at recent historical levels from FY23. An illustration of the revenue forecast for FY21 to FY25 is shown in the table on the page 46
- Gross margins during FY21 are assumed as consistent with historical levels, with gradual improvement in gross margin in later periods driven by scale and efficiency initiatives
- Operating expenses are assumed to grow with inflation, partly offset by savings driven by scale and efficiency initiatives and ongoing synergies through integration of acquired businesses.
- EBITDA margins reflect the outcome of revenue, gross margin and operating costs assumptions noted above.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

8. Goodwill and intangible assets (continued)

An overview of key assumptions used in the forecast for each CGU is outlined in the table below.

Impairment Testing of Goodwill Key assumptions	Australasia CGU	UK & Europe CGU	Rest of World CGU
Revenue (% annual growth rate) FY21	-18.6%	-21.2%	41.1%
Revenue (% annual growth rate) FY22	43.9%	54.8%	45.0%
Revenue (% annual growth rate) FY23-FY25	10.0%	11.2%	25.7%
Operating Costs (% of revenue)	31.8%	50.9%	47.5%
Terminal growth rate	3.0%	3.0%	3.0%
Discount rate	9.5%	10.5%	15.5%

The allocation of goodwill is presented below:

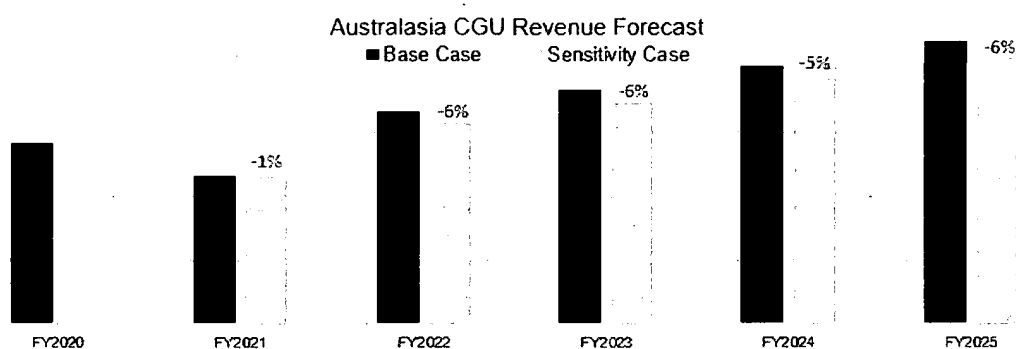
Group	Australasia \$000s	UK & Europe \$000s	ROW \$000s	Total \$000s
Goodwill as at 31 March 2020	669,833	162,728	203,649	1,036,210
Trade names as at 31 March 2020	26,240	12,930	13,245	52,415

As a result of the review, no impairment was identified for the goodwill in each CGU.

Sensitivity on forecasts for impairment testing

We have sensitised the revenue for each CGU to illustrate the valuation under a downside scenario, reflecting a long term suppression of the market. The sensitivity applied to each CGU forecast is illustrated in the charts below. The downside scenario 'Sensitivity Case' does not result in the recoverable amount falling below the carrying value for any of the CGUs.

Australasia CGU Revenue Base Case Forecast and Sensitivity Case Forecast



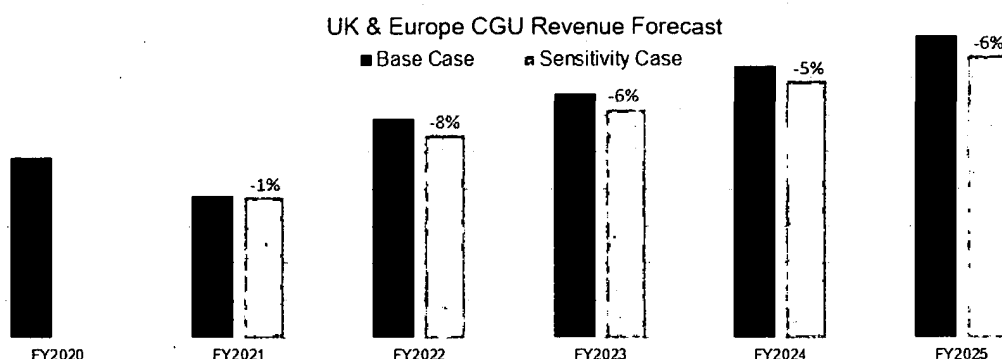
In the Sensitivity Case for the Australasia CGU, annual revenue is reduced between 1% and 8% reflecting a scenario where there is a long term suppression of the market and revenue is adversely impacted throughout the full forecast period. Whilst the directors consider this scenario to be unlikely, the sensitivity results in a 13% reduction in the recoverable amount and the sensitised recoverable amount being broadly in line with the carrying value.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

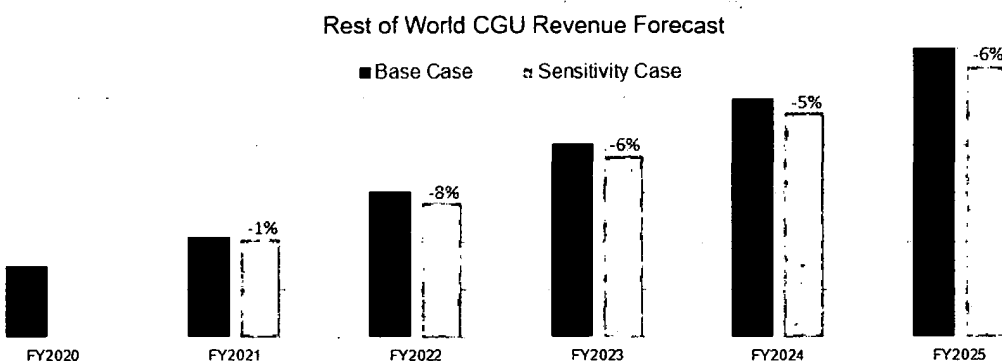
8. Goodwill and intangible assets (continued)

UK & Europe CGU Revenue Base Case Forecast and Sensitivity Case Forecast



In the Sensitivity Case for the UK & Europe CGU, annual revenue is reduced between 1% and 8% reflecting a scenario where there is a long term suppression of the market and revenue is adversely impacted throughout the full forecast period. Whilst the directors consider this scenario unlikely, the sensitivity results in a 10% reduction in the recoverable amount and this sensitised recoverable amount is still 5% higher than the carrying value.

Rest of World CGU Revenue Base Case Forecast and Sensitivity Case Forecast



In the Sensitivity Case for the Rest of World CGU, annual revenue is reduced between 1% and 8% reflecting a scenario where there is a long term suppression of the market and revenue is adversely impacted throughout the full forecast period. Whilst the directors consider this scenario unlikely, the sensitivity results in a 14% reduction in the recoverable amount and this sensitised recoverable amount is still 21% higher than the carrying value.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

9. (a) Expenses by nature

	Note	GROUP 2020 \$000s
Operating costs		
Cost of sales		(9,380)
Audit and advisory fees		(1,029)
Depreciation charge	7	(845)
Amortisation charge	8	(28,389)
Repayment of lease liabilities		(2,050)
Operating lease expenses		(48)
Employee costs		(24,031)
Occupancy costs		(1,832)
Telecommunication costs		(557)
Sales and marketing		(1,964)
IT expenses		(2,193)
Directors fees and expenses		(103)
Exceptional costs	6	(16,813)
Non recurring consulting costs		(32,814)
Other expenses		(14,212)
Total operating costs		(136,260)
Finance income		
Bank deposit interest received		88
Foreign exchange and other gains - net		(3,944)
Finance costs		
Interest charged on borrowings		(20,575)
Amortisation of funding costs		(1,883)
Finance costs - net		(26,314)

(b) Auditors' fees

During the period the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and its associates:

	GROUP 2020 \$000s
Fees payable to Company's auditors and its associates for the audit of the consolidated and subsidiary financial statements:	863
Tax advisory services	116
Other advisory fees	50
	1,029

Other advisory fees relate to work that would assist with the audit of the Group.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

10. Income tax

	GROUP
Taxation	2020
	\$000s
Current tax	
Current tax on profits for the period	8,359
Total current tax	<u>8,359</u>
Deferred tax (Note 10 (b))	
Origination and reversal of temporary differences	4,224
Total deferred tax	<u>4,224</u>
Income Tax Credit	12,583
(a) Income Tax Credit	
Reconciliation between tax credit and pre-tax net profit	
Profit before income tax	(79,739)
Income tax using corporate tax rate of 19%	(15,150)
Expenses not deductible for tax purposes	172
Adjustments in respect of prior years	(398)
Change in tax rate	189
Difference in overseas subsidiaries tax rates	(4,811)
Tax credits and tax losses not recognised	6,602
Other deductions	<u>813</u>
Income tax credit	(12,583)

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

10. Income tax (continued)

	GROUP 2020 \$000s
(b) Deferred tax assets and liabilities	
The gross movement in deferred tax is as follows:	
Balance at beginning of year	-
Balance on acquisitions	(118,832)
Exchange differences	(1,904)
Tax losses	8,656
Prior period adjustment	(444)
Credited to the statement of comprehensive income	4,224
Other adjustments	190
At 31 March	(108,110)
Deferred tax assets:	
Tax losses	(10,165)
Employee benefits	(1,060)
Other	304
Income received in advance	(1,282)
Deferred tax assets	(12,203)
Deferred tax liabilities:	
Intangibles	120,313
Deferred tax liabilities	120,313
Deferred tax liability (net)	108,110
Deferred tax balances is expected to be recovered/ settled as follows:	
No more than 12 months after the reporting period	(15,354)
More than 12 months after the reporting period	123,464
Deferred tax liability (net)	108,110

The UK tax rate for the Group for the current period is 19% and the weighted average applicable tax rate was 0%.

	GROUP 2020 \$000s
(c) Unrecognised tax losses	
Unused tax losses for which no deferred tax asset has been recognised	77,708
Potential tax benefit @ 19%	14,765

The unused tax losses relate to acquired subsidiaries in Canada, Australia and the US from which it is uncertain when the tax losses may be able to be utilised, along with losses from operations in the US where the business has been ceased. The losses can be carried forward indefinitely but some may be forfeited upon closure of the relevant entities.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

10. Income tax (continued)

	GROUP 2020 \$000s
(d) Recognised tax losses	
New Zealand	5,749
Australia	3,266
United Kingdom	1,119
Canada	31
	<u>10,165</u>

Australia and New Zealand generated tax losses due to large non-recurring transactions and it is expected that the entities will generate taxable income in the future to utilise the tax losses recognised. Canada generate a small loss in respect of the post acquisition period and it is expected to make taxable income to offset the tax losses in the future to utilise the tax losses recognised.

11. Other reserves

	GROUP 2020 \$000s	COMPANY 2020 \$000s
Foreign Currency Translation Reserve		
Currency translation differences during the year	26,348	-
Total other reserves	<u>26,348</u>	<u>-</u>

Foreign Currency Translation Reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

12. Share capital

Ordinary Shares

The A Ordinary Shares and it's share premium were issued upon incorporation and upon acquisition of subsidiaries, as follows:

Group and Company	Number of shares	Nominal value AU\$	Nominal value of shares \$000s	Share premium \$000s	Total share value \$000s
<u>Upon incorporation</u>					
Initial share allotment	672,343,620	0.01	6,723	665,620	672,343
<u>Subsequent shares issued</u>					
Shares issued on 13 November 2019	108,224,899	0.01	1,082	107,143	108,225
Shares issued on 18 December 2019	21,792,552	0.01	218	21,575	21,793
Shares issued on 31 January 2020	7,450,000	0.01	75	33,290	33,365
Shares issued on 3 March 2020	100,000	0.01	1	4,407	4,408
Shares issued during the year for acquisition of businesses	137,567,451		1,376	166,415	167,791
Total share capital	<u>809,911,071</u>		<u>8,099</u>	<u>832,035</u>	<u>840,134</u>

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

12. Share capital (continued)

The 840,134,171 A Ordinary Shares of Australian \$0.01 have been authorised and issued at Australian \$1.00 for cash and are fully paid. The A Ordinary Shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote; and, on a poll, each share is entitled to one vote. The company does not have a limited amount of authorised capital.

13. Investments in subsidiaries

The Group has the following subsidiaries at 31 March 2020:

Name	Country of incorporation and registered office	Nature of business	Shares held directly by parent (%) 2020	Shares held by Group (%) 2020
AI Sky UK Bidco Limited	Note (a)	Holding entity	100	100
AI Sky Aus Finance Ltd*	Note (a)	Holding entity	-	100
AI Sky NZ Finance Ltd*	Note (a)	Holding entity	-	100
AI Sky Cdn Finance Limited	Note (a)	Holding entity	-	100
Transaction Services Group Limited	Note (a)	Holding entity	-	100
TSG Holdings (UK) Limited	Note (a)	Holding entity	-	100
TransServ UK Limited	Note (a)	Holding entity	-	100
Debit Finance Collections Plc	Note (b)	Direct debit billing services	-	100
Harlands Group Limited*	Note (a)	Holding entity	-	100
Harlands Services Limited*	Note (a)	Direct debit billing services	-	100
Harlands Finance Limited	Note (a)	Direct debit billing services	-	100
Harlands Services AB	Note (k)	Non-trading entity	-	100
Harlands Diensten BV	Note (g)	Non-trading entity	-	100
TSG Holdings (Australia) Pty Limited	Note (c)	Holding entity	-	100
TSG Holdings (Aust) No. 2 Pty Limited	Note (c)	Holding entity	-	100
Transaction Services (Australia) Pty Limited*	Note (c)	Holding entity	-	100
Transaction Services Limited Partnership	Note (c)	Holding entity	-	100
Debitsuccess Pty Limited*	Note (c)	Direct debit billing services	-	100
FFA Paysmart Holdings Pty Limited*	Note (c)	Holding entity	-	100
Paysmart Pty Limited*	Note (c)	Direct debit billing services	-	100
Clubware Pty Limited	Note (c)	Non-trading entity	-	100
Links Modular Solutions Pty Limited	Note (d)	Software services	-	100
Links IP Holdings Pty Limited	Note (d)	Non-trading entity	-	100
Ausfit Pty Limited	Note (e)	Direct debit billing services	-	100
QK Technologies Pty Limited*	Note (n)	Software services	-	100
Minerva Solutions Pty Limited*	Note (n)	Holding entity	-	100
TSG Holdings (NZ) Limited	Note (f)	Holding entity	-	100
Transaction Services Holdings Limited*	Note (f)	Holding entity	-	100
Debitsuccess Limited*	Note (f)	Direct debit billing services	-	100
Paysmart NZ Limited	Note (f)	Direct debit billing services	-	100
Clubware Limited	Note (f)	Non-trading entity	-	100
Debitsuccess (USA) Inc.	Note (h)	Direct debit billing services	-	100
Transaction Services Group USA Inc.	Note (h)	Holding entity	-	100
Leisure Management Services Inc.	Note (i)	Direct debit billing services	-	100

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

13. Investments in subsidiaries (continued)

Name	Country of incorporation and registered office	Nature of business	Shares held directly by parent (%) 2020	Shares held by Group (%) 2020
AI Sky Aus Holdco Pty Ltd	Note (j)	Holding entity	-	100
AI Sky Aus Bidco Pty Ltd	Note (j)	Holding entity	-	100
TSG Japan	Note (l)	Direct debit billing services	-	100
TSG Morocco SARL AU	Note (m)	Non-trading entity	-	100
TSG Revenue Management Solutions Ireland DAC	Note (o)	Non-trading entity	-	100
My Xplor Pty Ltd	Note (p)	Software services	-	100
Legend Recreation Software Pty Ltd	Note (q)	Software services	-	100
Legend Recreation Software Inc.	Note (r)	Software services	-	100
Legend Canada Inc.	Note (r)	Holding entity	-	100
Legend Leisure Services Limited	Note (s)	Software services	-	100
Club Machine Holdings (UK) Limited	Note (s)	Software services	-	100
Brighttime Limited	Note (s)	Software services	-	100
Legend Club Management Systems (UK) Limited	Note (s)	Software services	-	100
MyXplor UK Ltd	Note (t)	Software services	-	100
PerfectMind Inc.	Note (aa)	Software services	-	100
Software Minder Limited	Note (f)	Software services	-	100
AI Sky US Bidco Inc.	Note (u)	Holding entity	-	100
Mariana Tek Corporation	Note (v)	Software services	-	100
Zingfit LLC	Note (w)	Software services	-	100
TrueCoach, Inc.	Note (x)	Software services	-	100
Brndbot, LLC	Note (y)	Software services	-	100
Triib, Inc.	Note (z)	Software services	-	100

Note (a): Rockwood House, Perrymount Road, Haywards Heath, West Sussex, RH16 3TW, United Kingdom

Note (b): 16 Davy Avenue, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8PL, United Kingdom

Note (c): Level 38, 345 Queen St, Brisbane City QLD 4000, Australia

Note (d): 9 Newsom Street, Ascot Vale, VIC 3032, Australia

Note (e): 90 Goodchap Street, Noosaville, QLD 4566, Australia

Note (f): 5 The Warehouse Way, Northcote, Auckland, 0627, New Zealand

Note (g): Country of incorporation: Netherlands; Registered address: Rockwood House, Perrymount Road, Haywards Heath, West Sussex, RH16 3TW, United Kingdom

Note (h): 3801 E. Florida Ave, STE 400, Denver, Colorado 80210, USA

Note (i): 1835 East Hallandale Beach Blvd. #317, Hallandale, FL 33009, USA

Note (j): Level 33, 101 Collins Street, Melbourne, Victoria 3000, Australia

Note (k): Advokatfirman Delphi, PO Box 1432, 111 44 Stockholm

Note (l): 384 Saedochi, Tsuzuki Ward, Yokohama, Kanagawa 224-0054, Japan

Note (m): Angle BD. Abdelmoumen and Rue Soumia, Khay Sheherazada 3, 5th Floor, No 2, Casablanca

Note (n): Level 2, 50 Metroplex Avenue, Murarrie, Brisbane City, Queensland 4172

Note (o): Block 3, Harcourt Centre, Harcourt Road, Dublin 2, D02 A339

Note (p): 520 Bourke Street, Melbourne, 3000 Australia

Note (q): Level 18, 55 Market Street, Sydney, 2000 NSW, Australia

Note (r): 2451 Riverside Drive, House of Sport, West Wing, Upper Level, Ottawa ON K1H 7X7, Canada

Note (s): Block A, Clifton Park Avenue, York, North Yorkshire, England, YO30 5PB

Note (t): Second Floor, Rowan Suite 7 Trinity Place, Midland Drive, Sutton Coldfield, England, B72 1TX

Note (u): 1209 Orange Street, Wilmington, DE 19801 USA

Note (v): 1717 K St, NW, Washington, DC 20006, USA

Note (w): 2051 Dogwood Street, Louisville, CO 80027, USA

Note (x): 1825 33rd St, Boulder, CO 80301, USA

Note (y): 31 St James Ave, Boston, MA 02116, USA

Note (z): 21 Drydock Ave, Boston, MA 02210, USA

Note (aa): 4333 Still Creek Dr 2nd Floor, Burnaby, BC V5C 6S6, Canada

* These entities have a charge over their shares and assets as security under the loan facilities agreement described in Note 17.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

13. Investments in subsidiaries (continued)

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent Company do not differ from the proportion of ordinary shares held. The parent Company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

	COMPANY 2020 \$000s
Investment in subsidiaries	
Parent Company investment (at cost) in Group companies	
Investment in AI Sky UK Bidco Limited	840,040
Balance at 31 March	<u>840,040</u>

14. Collection deposits and collection liability

The collection deposits and liability represent the funds collected on behalf of the Group's clients which are held in separate bank accounts on their behalf.

Cash held on behalf of related entities

	GROUP 2020 \$000s
Cash held by the Group	40,228
Cash held on behalf of related entities	77,659
Total cash and cash equivalents	<u>117,887</u>

As at the period end, an amount of \$77,659,000 was held by the Group on behalf of related entities. The cash held on behalf of related entities is excluded from the security of the borrowing facilities. This cash was partially used for the acquisitions occurring after the period ending 31 March 2020 that are detailed in Note 26.

15. Trade and other receivables

	GROUP 2020 \$000s	COMPANY 2020 \$000s
Trade receivables and accrued income	9,711	-
Prepayments	4,823	-
	<u>14,534</u>	<u>-</u>

The trade receivables above are presented net of provision for impairment on this balance. There provision for impairment in the period was \$138,000.

The credit quality of financial assets that are neither due nor impaired can be assessed by reference to historical information about counterparty default rates. The trade receivables are in group 2 - which consists of existing customers (more than 6 months) with no defaults in the past.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

15. Trade and other receivables (continued)

Trade receivables do not carry any interest and are stated at their nominal value. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the age of the outstanding amounts. A six-month historical default rate is applied to the current period trade receivables balances to calculate the impairment. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. There were no general allowances made for estimated irrecoverable amounts.

The Directors consider that the carrying amount of trade receivables approximates to their fair value.

16. Related party transactions and balances

During the current period, directors of the Company were not involved in any related party transactions.

Transactions with related parties in the wholly-owned Group during the current period were:

- Loans were advanced between Group companies on short term and long term inter-company accounts.
- Amounts are held on behalf of related parties in long term inter-company accounts.
- Repayments are made as cash flows allow. Interest is charged on long term loans between Group companies at market rates.
- Management fees were charged to recover costs incurred that reflected the proportion of management time and services provided to or from Group companies.
- No dividends were received from Group companies in the current period.
- Where applicable these transactions and balances are disclosed on the face of the Balance Sheet and Statement of Comprehensive Income.

Details of related party transactions in the period were:

	GROUP	COMPANY
	2020	2020
	\$000s	\$000s
Intercompany balances with Group companies (Receivable)	-	87
Amounts held on behalf of related parties (Payable)	(76,347)	-
Total receivable	(76,347)	87

Amounts held on behalf of related parties have been used to fund investments in subsidiaries. These related parties are entities that hold a direct shareholding in AI Sky UK Holdco Limited.

Amounts receivable/payable to other group companies are interest free, repayable on demand and have no fixed terms.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

17. Borrowings

	GROUP 2020 \$000s
Commercial term loan	515,000
CAR facility	237,778
Revolving credit facility	33,589
	<u>786,367</u>
Less: Funding costs	<u>(31,719)</u>
TOTAL BORROWINGS	<u>754,648</u>
Non-current	
Commercial term loan	515,000
CAR facility	237,778
Revolving credit facility	33,589
	<u>786,367</u>
Effective interest rates	
Commercial loans	6.92%
CAR facility	7.76%
Revolving credit facility	5.51%

The Company has no borrowings as at the period ended 31 March 2020.

The Group has loan facilities that were established on 15 October 2020 with various institutional lenders. The loan facilities include a commercial term loan, a capital expenditure and acquisition facility (CAR facility) and revolving credit facility (altogether known as "The facilities").

The commercial term loan and CAR facility have a term of 7 years. The revolving credit facility have a term of 6 years and 6 months. There are no scheduled minimum debt repayments in respect of the Facilities. The facilities are secured by way of a first registered global security deed over certain entities within the Group. The Group is required to comply with certain covenants that are calculated and reported on a quarterly basis. The Group has complied with all covenants during the period and as at 31 March 2020.

The collection accounts into which funds collected on behalf of clients are held, are specifically excluded from this security.

The maturity profile of the borrowings above are as follows:

GROUP	Less than 12 months \$000s	Between 1-2 years \$000s	Between 2-5 years \$000s	More than 5 years \$000s
Total Borrowings as at 31 March 2020	-	-	-	786,367

The split of borrowings above, denominated in home currency, are as follows:

GROUP	AUD Borrowings \$000s	USD Borrowings \$000s	GBP Borrowings £000s
Total Borrowings as at 31 March 2020	577,500	88,939	31,750

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

18. Trade and other payables

	GROUP 2020 \$000s	COMPANY 2020 \$000s
Trade payables	5,775	-
Related party payables	76,347	-
Employee benefits	7,724	-
Vendor liability	15,148	-
Accrued expenses	39,366	-
	<u>144,360</u>	<u>-</u>

Trade payables are unsecured and are usually paid within 90 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

19. Business combinations

The following acquisitions took place within the Group since its incorporation:

On 13 November 2019, AI Sky US Bidco Limited, a subsidiary within the Group, acquired 100% of the shares of Mariana Tek Corporation and Zingfit LLC, incorporated in USA, for \$109,533,000. Both entities provide business management software to boutique and studio facilities in the health and fitness sector primarily in North America, the United Kingdom and Australia.

On 30 November 2019, TSG Holdings NZ Limited, a subsidiary within the Group, acquired 100% of the shares of Software Minder Limited, incorporated in New Zealand, for \$5,211,000. Software Minder Limited trades as PT Minder, providing business management software to personal trainers and class and studio fitness operators primarily in Australia, New Zealand, North America and the United Kingdom.

On 3 December 2019, Transserv UK Limited, a subsidiary within the Group, acquired 100% of the shares of Legend Club Management Systems (UK), incorporated in the United Kingdom, for \$58,972,000. Legend Club Management Systems (UK) provides business management software to the health and fitness sector primarily in the United Kingdom.

On 18 December 2019, AI Sky US Bidco Limited, a subsidiary within the Group, acquired 100% of the shares of TRIIB Inc, incorporated in USA, for \$18,688,000. TRIIB provides business management software to boutique and studio facilities in the health and fitness sector in North America.

On 31 January 2020, AI Sky US Bidco Limited, a subsidiary within the Group, acquired 100% of the shares of BrandBot, LLC, incorporated in USA, for \$17,342,000. Brandbot. LLC provides business management software to boutique and studio facilities in the health and fitness sector in North America.

On 31 January 2020, TSG Holdings Australia No.2 Pty Ltd, a subsidiary within the Group, acquired 100% of the shares of Xplor Pty Ltd, incorporated in Australia, for \$60,774,000. Xplor Pty Ltd provides business management, education and parent engagement software to early education centres in Australia.

On 10 February 2020, TSG Holdings UK Limited, a subsidiary within the Group, acquired 100% of the shares of PerfectMind Inc, incorporated in Canada, for \$68,897,000. PerfectMind Inc provides business management software to the health and fitness sector in North America.

On 3 March 2020, AI Sky US Bidco Limited, a subsidiary within the Group, acquired 100% of the shares of TrueCoach, Inc, incorporated in USA, for \$56,436,000. TrueCoach, Inc provides business management software to personal trainers and coaches in the health and fitness sector primarily in North America, the United Kingdom and Australia.

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

19. Business combinations (continued)

The fair value of assets acquired, as listed below, include an allocation of value to software and customer relationships on an excess earnings rate, value of trade names on a royalty relief basis and value to the replacement cost of assembled workforce.

Goodwill is shown as the difference of net assets acquired to purchase price. The value of goodwill is attributable to the expected benefit from the ability to generate new streams of revenue and the synergy opportunities through integration of the acquired entities with the existing business. The fair values applied to the intangible assets above, with the exception of the value of software, are not expected to be deductible for income tax purposes.

	Acquisition of TSGI by Advent International GROUP 2020 \$000s	Mariana Tek GROUP 2020 \$000s	Zingfit GROUP 2020 \$000s	Triib GROUP 2020 \$000s
Cash and Cash Equivalents	11,107	390	588	572
Trade and Other Receivables	9,247	431	425	28
Property, plant and equipment	5,516	155	78	45
Computer Software	239,100	19,450	19,595	4,672
Customer Relationships	186,500	4,209	4,209	1,606
Other Intangibles	33,500	726	871	1,606
Trade and Other Payables	(25,206)	(1,240)	(5,193)	(165)
Deferred Revenue	(8,435)	-	(772)	(34)
Deferred Tax Liability	(75,466)	(6,340)	-	(2,050)
Total identifiable net assets	375,863	17,781	19,801	6,280
Goodwill	764,733	47,509	24,442	12,408
Total consideration	1,140,596	65,290	44,243	18,688
Net cash effect				
Total consideration received/(paid)	(1,140,596)	(65,290)	(44,243)	(18,688)
Cash consideration deferred	7,200	-	-	-
Cash consideration for debt repayment	175,983	-	-	-
Consideration issued in management rollover	228,402	30,570	8,709	-
Cash consideration paid	(729,011)	(34,720)	(35,534)	(18,688)
Cash included in net assets acquired	11,107	390	588	572
Net cash effect	(717,904)	(34,330)	(34,946)	(18,116)

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

19. Business combinations (continued)

	BrandBot GROUP	TrueCoach GROUP	PT Minder GROUP	Legend GROUP
	2020	2020	2020	2020
	\$000s	\$000s	\$000s	\$000s
Cash and Cash Equivalents	18	369	170	1,717
Trade and Other Receivables	-	38	47	9,197
Property, plant and equipment	-	88	-	1,411
Computer Software	4,144	12,616	1,286	14,623
Customer Relationships	592	4,408	847	9,685
Other Intangibles	888	4,560	353	3,608
Trade and Other Payables	(34)	(3,774)	(86)	(7,912)
Deferred Revenue	(77)	(693)	(71)	(2,621)
Deferred Tax Liability	-	(5,612)	(696)	(5,262)
Total identifiable net assets	5,531	12,000	1,850	24,446
Goodwill	11,811	44,436	3,361	34,526
Total consideration	17,342	56,436	5,211	58,972
Net cash effect				
Total consideration received/(paid)	(17,342)	(56,436)	(5,211)	(58,972)
Cash consideration deferred	-	-	360	-
Cash consideration for debt repayment	-	-	-	-
Consideration issued in management rollover	8,138	4,408	-	-
Cash consideration paid	(9,204)	(52,028)	(4,851)	(58,972)
Cash included in net assets acquired	18	369	170	1,717
Net cash effect	(9,186)	(51,659)	(4,681)	(57,255)

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Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

19. Business combinations (continued)

	Xplor GROUP 2020 \$000s	PerfectMind GROUP 2020 \$000s	Total GROUP 2020 \$000s
Cash and Cash Equivalents	887	1,623	17,441
Trade and Other Receivables	841	2,258	22,512
Property, plant and equipment	487	82	7,862
Computer Software	21,404	16,432	353,322
Customer Relationships	6,798	10,088	228,942
Other Intangibles	845	3,432	50,389
Trade and Other Payables	(4,355)	(1,324)	(49,289)
Deferred Revenue	(671)	(3,566)	(16,940)
Deferred Tax Liability	(2,293)	(8,087)	(105,806)
Total identifiable net assets	23,943	20,938	508,433
Goodwill	36,831	47,959	1,028,016
Total consideration	60,774	68,897	1,536,449
Net cash effect			
Total consideration received/(paid)	(60,774)	(68,897)	(1,536,449)
Cash consideration deferred	7,588	-	15,148
Cash consideration for debt repayment	-	-	175,983
Consideration issued in management rollover	17,977	-	298,204
Cash consideration paid	(35,209)	(68,897)	(1,047,114)
Cash included in net assets acquired	887	1,623	17,441
Net cash effect	(34,322)	(67,274)	(1,029,673)
Acquisition costs charged in the Consolidated Statement of Comprehensive Income for the period ended 31 March 2020			15,388

The consolidated Statement of Comprehensive Income included revenue and net loss after tax contributed by the acquisitions above of \$16,427,000 and -\$8,981,000 respectively during the post-acquisition period up to 31 March 2020.

Revenue and net loss after tax of acquisitions above for the 5.5 months ended 31 March 2020 are \$30,851,000 and -\$10,564,000 respectively had this been acquired from the beginning of the period.

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Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

20. Commitments

The Group had letters of credit amounting to \$21,881,000. These letters of credit are guarantees relating to the usual trading and operations of the business.

There were no capital commitments in the Group and in the Company.

21. Financial assets and liabilities by category

	Financial assets at amortised cost \$000s	Other financial liabilities \$000s
Assets and liabilities as per balance sheet		
Group		
Balance at 31 March 2020		
Cash and cash equivalents	117,887	-
Collection deposits	35,913	-
Trade and other receivables	9,711	-
Trade and other payables	-	(45,141)
Collection liability	-	(35,913)
Borrowings	-	(754,648)
Company		
Balance at 31 March 2020		
Loans with group company	87	-

Trade receivables and trade payables are level 2 instruments under the fair value hierarchy, while cash and cash equivalents and borrowings are a level 1 instrument under the fair value hierarchy. Refer note 2(d).

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Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

22. Financial Instruments

The main risks arising from the Group's financial instruments are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board policies for managing these risks are summarised in Note 2. During the period, there were no changes to the Group's exposure to these risks or the manner in which it manages and measures these risks.

For cash and cash equivalents, the Group minimises credit risk by dealing exclusively with highly credit rated counterparties. The creditworthiness (with reference to external credit rating agencies) of the counterparties in respect of cash and cash equivalents balances in the Group is as follows:

	GROUP 2020 \$000s
AA-	2,487
A+	109,059
A	24
A-	4,476
BBB+	1,841
Total Cash and cash equivalents	117,887

Other financial assets with counterparties comprise of trade receivables. As the Group usually collects its billing transaction fee upfront and only the net collections are submitted to each customer, the trade receivables balance is small relative to the size of revenue. Existing trade receivables balances relate to large, well established customers with long standing relationships with the Group with no defaults in the past. Refer note 15 for further details.

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Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

23. Employees and directors

	GROUP 2020 \$000s
(a) Employee costs	
Wages and salaries	22,652
Social security costs	1,137
Other pension costs	242
Total employee costs	24,031

(b) The monthly average number of persons including executive directors employed by the Group during the year was:

	GROUP 2020 Number
By activity	
Finance and other administration	122
IT	414
Contact centre	349
Sales and marketing	148
Management	38
Total average headcount	1,071

There were no employees paid by the Company in the period.

The directors appointed by Advent International are not paid by the Group or the Company. During the period the Group was recharged \$103,000 in respect of the services for two Directors.

	GROUP 2020 \$000s
(c) Key management compensation	
Aggregate remuneration	502
Aggregate contributions to pension scheme	15
Total	517

Key management includes members of the executive committee and key subsidiary directors (executive and non-executive but does not include amounts disclosed in note 16).

AI Sky UK Holdco Limited

Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

24. Right of Use Asset and Lease Liability

Right of use asset

	GROUP 2020 \$000s
COST	
Opening net book value	-
Acquisition of subsidiaries	14,477
Balance at 31 March 2020	14,477
ACCUMULATED DEPRECIATION	
Depreciation charge	2,050
Balance at 31 March 2020	2,050
NET BOOK AMOUNTS	
31 March 2020	12,427

The Company had no right of use assets at the period end. All leases relate to building leases that have lease terms ranging between 1-9 periods.

Lease liabilities

	GROUP 2020 \$000s
Opening net book value	-
Acquisition of subsidiaries	13,477
Repayment of lease liabilities	(1,364)
Lease interest	222
31 March 2020	12,335
Current	3,742
Non-current	8,593

The Company had no lease liabilities at the period end.

Under IFRS 16: *Leases* the Group is required to recognise lease liabilities for contracts identified as containing a lease, except when the lease is for 12 months or less or the underlying asset is of low value.

Lease liabilities are initially measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate. Subsequently, the carrying value of the liability is adjusted to reflect interest and lease payments made. Lease liabilities may be re-measured when there is a change in future lease payments arising from a change in an index or market rate, or if there is a change in the Group's estimate of the amount expected to be payable.

The Group assesses at lease commencement whether it expects to exercise renewal options included in contracts. Where it is reasonably certain that renewal options will be exercised, the extension period is included in the lease liability calculation.

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Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

25. Contingent Liabilities

Parent company guarantees and audit exemptions under section 479A of the Companies Act 2006

AI Sky UK Bidco Limited, Transaction Services Group Limited, TSG Holdings (UK) Limited, TransServ UK Limited, Harlands Group Limited and Harlands Finance Limited, AI Sky NZ Finance Limited, AI Sky Aus Finance Limited, AI Sky Cdn Finance Limited, Legend Club Management Services (UK) Limited, Legend Leisure Services Limited, Brightline Limited and Club Machine Holdings (UK) Limited all wholly owned subsidiaries of the Company, are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of section 479A for subsidiary companies.

All outstanding liabilities as at 31 March 2020 of AI Sky UK Bidco Limited, AI Sky NZ Finance Limited, AI Sky Aus Finance Limited, AI Sky Cdn Finance Limited, Transaction Services Group Limited, TSG Holdings (UK) Limited, TransServ UK Limited, Harlands Group Limited, Harlands Finance Limited, Legend Club Management Services (UK) Limited, Legend Leisure Services Limited, Brightline Limited and Club Machine Holdings (UK) Limited have been guaranteed by AI Sky UK Holdco Limited. No liability is expected to arise under the guarantee.

Contingent consideration

In relation to the acquisition of subsidiaries during the current period ending 31 March 2020, the minimum amount of contingent consideration payable was estimated to be \$370,000 and the maximum amount is \$4,865,000. The final amount to be paid will be determined based on the acquiree's financial performance over the qualifying period and is only payable if the business grows in line with its business plan.

Collateral on borrowing facility

The assets and shares of certain entities within the Group are held as collateral under the loan facility agreement. The entities that are held as collateral under the loan facility agreement are identified in Note 13.

There were no other material contingent liabilities for the Company or Group existing as at 31 March 2020.

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Notes to the financial statements for the period from 4 June 2019 to 31 March 2020

26. Events after the reporting period

Conditional agreement of sale

On 1 April 2020, TSG Holdings (UK) Limited, a subsidiary within the Group, entered into an unconditional agreement for the acquisition of 100% of the shares Synodia SAS, a company incorporated in France, for €28,000,000 which is equivalent to \$45,800,000. The net assets of Synodia SAS is approximately \$3,600,000. Subsequent to the acquisition, AI Sky EU Bidco Limited was incorporated and 100% the shareholding in Synodia SAS was transferred from TSG Holdings (UK) Limited to AI Sky EU Bidco Limited.

On 24 June 2020, the AI Sky EU Bidco entered into an unconditional agreement for the acquisition of 100% of the shares in Lodecom SAS, a company incorporated in France, for €6,350,000 which is equivalent to \$10,400,000. The net assets of Lodecom SAS is approximately \$1,500,000.

Both Synodia and Lodecom provide business management software to facilities in the health and fitness sector primarily in France. As the acquisition above have taken place in recent months, the completion accounts are still being prepared and the net assets value is based on the latest available financial information.

The sales and purchases agreement of both Synodia SAS and Lodecom SAS include an earn out clause which will be calculated in accordance with the performance of the business over the next 12 months. Due to both acquisitions being recent and have minimal financial data under our ownership, the earn out amount cannot be reasonably estimated at this time.

The COVID-19 pandemic started to impact our primary markets of Australasia, the United Kingdom and Europe and North America during March 2020. The most significant impact on the Group was triggered when lockdowns were enforced across these markets from late March 2020. While the financial impact on the business during the period was not significant, the disruption of repositioning the business to operate under lockdown and the financial impact following period end were significant. We have outlined this impact in more detail in the future developments section of the Strategic Report.

27. Ultimate parent Company

The ultimate parent undertaking of the Group is AI Sky (Cayman) Limited, a Cayman incorporated company, which is owned by various investment funds managed by Advent International Corporation. The ultimate controlling party is Advent International Corporation, an SEC Registered investment adviser.